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Do I need to complete a tax return? Recent changes to self-assessment

Introduction

“Do I need to complete a tax return?” should be a simple question, but an increasing number of “simplification measures”—combined with HMRC’s use of their own (non-statutory) self-assessment criteria and outdated legal obligations—have blurred the line. The result is a confusing gap between what the law says about who needs to file a tax return and what HMRC’s guidance says.

This gap is set to increase as the government proceeds with plans to create new online services and remove individuals with small amounts of trading or property income from the self-assessment process.

This note looks at when an individual is legally required to notify HMRC of chargeability to income and capital gains taxes, and contrasts this with HMRC’s guidance on when a tax return is needed. As the government seeks to reduce the self-assessment population further, the note concludes with some thoughts on how this could be achieved while ensuring that tax computations are accurate and taxpayers’ responsibilities are clear.

The scale of self-assessment

For the 2023–24 tax year, HMRC expected to receive 12,026,540 self-assessment returns.¹ With 36.6 million individuals expected to pay income tax for that year,² roughly one-third of individuals with a liability to income tax in that year had to complete a tax return.

¹ HMRC, press release, *11.5 million file Self Assessment by 31 January deadline* (3 February 2025).

² HMRC, Accredited official statistics, *Table 2.1 Number of individual Income Tax payers* (26 June 2025), <https://www.gov.uk/government/statistics/number-of-individual-income-taxpayers-by-marginal-rate-gender-and-age>.

This is an approximation for various reasons—the number of taxpayers is estimated, some returns will not result in an income tax liability, and it is not clear if HMRC include returns from personal representatives and/or trustees within the figure of 12 million. However, it does give some indication of how common the self-assessment burden is.

In comparison, a decade earlier (in 2013–14), HMRC expected 11.13 million returns³ from a population of 30.4 million taxpayers,⁴ a proportion of just under 37 per cent. So, while the number of income tax payers has increased, the proportion needing to complete tax returns has dropped.

A number of measures have contributed to this. These include the phased removal from self-assessment of higher earning pay as you earn (PAYE) taxpayers, the introduction of Simple Assessment and the increased use by HMRC of data they already hold to calculate tax liability.⁵

Furthermore, the government intends to continue to remove people from self-assessment, starting with those with small amounts of trading and property income (from what are known as “side hustles”) and some people liable for the high income child benefit charge (HICBC).⁶

Taxpayers outside of self-assessment

For taxpayers outside of self-assessment, HMRC carry out an annual reconciliation using the information they receive from employers, pension providers, banks and building societies and other government departments to calculate any underpayments or overpayments: a process HMRC refer to as pre-population.

This annual reconciliation results in a tax computation. No letters are sent if the correct amount of tax has been collected. A taxpayer due a refund will receive a P800 letter. Where further tax is due, the taxpayer will receive a P800 letter if it is possible to collect the extra tax via PAYE by adjusting a future tax code. Where this is not possible, HMRC issue a Simple Assessment or a PA302 letter to collect the tax.⁷

Who needs to complete a tax return?

When an individual has income or capital gains that have not been taxed at source, they are usually advised to “register” for self-assessment and file a tax return. Common reasons for needing to register for self-assessment include starting a new business, starting to let property or realising a capital gain. Individuals liable to the HICBC are also required to register for self-assessment.

³ HMRC, press release, *Biggest digital Self Assessment ever* (2 February 2015).

⁴ HMRC, Accredited official statistics, *Table 2.1 Number of individual Income Tax payers* (26 June 2025).

⁵ HMRC, Policy Paper, *Income Tax: simple assessment* (9 December 2015), <https://www.gov.uk/government/publications/income-tax-simple-assessment/income-tax-simple-assessment>.

⁶ HM Treasury and James Murray MP, press release, *Boost for side-hustlers as 300,000 people to be taken out of tax returns, government announces* (11 March 2025).

⁷ See further HMRC, *Tax overpayment and underpayments*, <https://www.gov.uk/tax-overpayments-and-underpayments>.

The statutory framework: Taxes Management Act 1970

The rules for registration of individual taxpayers are set out in section 7 of the Taxes Management Act 1970 (TMA 1970)—although, in the language of the statute, taxpayers are required to “notify” HMRC that they are chargeable to income tax or capital gains tax, rather than to “register”.

Under section 7 TMA 1970, an individual who is chargeable to income tax or capital gains tax in a particular tax year must notify HMRC of their chargeability unless HMRC have already sent a notice requiring them to submit a return. The deadline for notification is 5 October following the end of the relevant tax year.

Exclusions operate to remove an individual’s obligation to notify where:

- 1) Income has already been subject to deduction for tax under PAYE (section 7(5) TMA 1970).
- 2) Tax has been deducted at source from the income and the individual is not liable to a higher rate of tax (section 7(6) TMA 1970).
- 3) The income is dividend income and is under the dividend allowance (section 7(6A) TMA 1970).

Effectively, this excludes from self-assessment those in receipt of earnings or a pension where the employer or pension provider operates a PAYE scheme, and those with modest amounts of investment income.

A further exclusion says that an individual is not required to register if they have received a Simple Assessment from HMRC, unless the Simple Assessment is incomplete.⁸ This creates a practical challenge as Simple Assessments are typically issued between July and November following the tax year—but a taxpayer will not know they are getting one until it lands on their doormat. At 5 October, an individual who has not received a Simple Assessment is, therefore, strictly liable to register for self-assessment.

While a tax adviser might advise registration in these circumstances, the writer understands that HMRC prefer taxpayers to wait to see if they receive a Simple Assessment before registering. In 2023–24, HMRC continued to issue tax calculations (P800s and PA302s) until 31 March 2025,⁹ and individuals with savings interest of less than £10,000 were told to wait until April 2025—almost 12 months after the end of the tax year—before contacting HMRC.¹⁰

Although section 8(1) TMA 1970 requires an individual who receives a notice from HMRC to file a tax return to establish how much tax is due, there does not appear to be a direct statement in sections 7 to 8 TMA 1970 that, where an individual notifies chargeability to tax, HMRC will request a tax return. There is a presumption that one follows the other, but nothing that *requires* HMRC to issue a return in response to a notification, save where the individual has PAYE income.¹¹

⁸ Taxes Management Act 1970 (TMA 1970) s.7(2A).

⁹ HMRC, Guidance, *Issue 126 of Agent Update: Extended period for issuing tax calculation (P800) letters* (19 December 2024), <https://www.gov.uk/government/publications/agent-update-issue-126/issue-126-of-agent-update#tax-calculation>. The writer understands, from private correspondence with HMRC, that Simple Assessments (PA302s) for 2023–24 were also issued until March 2025.

¹⁰ HMRC, Guidance, *Tax on savings interest: If you’re employed or get a pension*, <https://www.gov.uk/apply-tax-free-interest-on-savings>.

¹¹ Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003) s.711.

In practice, the writer understands from a number of tax agents that HMRC will refuse to register an individual if they do not meet HMRC's self-assessment criteria—even if they have tax to pay. This has the practical effect of keeping them out of self-assessment unless they file a voluntary return.¹²

HMRC's manuals provide guidance about accepting voluntary returns, which shows that HMRC will reject them in certain circumstances.¹³ In theory, HMRC could respond to a voluntary return by issuing a Simple Assessment, although the writer has not seen this in practice.

Guidance: HMRC's view of who should be in self-assessment

HMRC publish basic guidance on who needs to send a tax return, which sets out the following categories of people who definitely need to file:¹⁴

- 1) Self-employed individuals with turnovers of more than £1,000 in a tax year.
- 2) Partners in a “business partnership” (“business” is not defined).
- 3) Individuals who need to pay capital gains tax on a gain from the sale or disposal of an asset.
- 4) Individuals subject to HICBC.

Those with untaxed income are told that they “may” have to file a return—this includes those who received income from renting out a property, or from savings or other investments, tips or commissions or foreign income.

Prospective taxpayers are encouraged to use an online HMRC tool to determine whether they need to complete a self-assessment return.¹⁵

Further detail is contained in HMRC's manuals, which set out specific criteria as to who they will accept into self-assessment, including those with:¹⁶

- 1) Income of more than £10,000 from savings and investments.
- 2) Income of more than £10,000 from dividends.
- 3) Income of more than £1,000 from trading or property.

In a 2023 consultation, HMRC acknowledged that their self-assessment criteria are purely “administrative parameters”.¹⁷ It can be seen that there are a number of people who may have a liability to income tax, but who are not within HMRC's criteria. These include those with investment income that is in excess of the applicable allowances but less than £10,000.

The practical issues with this are discussed below.

¹² Voluntary returns are returns received by HMRC where they have not given a notice to the taxpayer to make the return.

¹³ HMRC, Internal Manual, *Self Assessment Manual* (20 August 2025), SAM121140, “Returns: individuals returns: voluntary (unsolicited) returns: individuals”.

¹⁴ HMRC, *Self Assessment tax returns*, <https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return>.

¹⁵ HMRC, *Check if you need to send a Self Assessment tax return*, <https://www.gov.uk/check-if-you-need-tax-return>.

¹⁶ HMRC, Internal Manual, *Self Assessment Manual* (20 August 2025), SAM100060, “Records: set up taxpayer record: criteria for an SA record”.

¹⁷ HMRC, *Discussion document: Simplifying and modernising HMRC's Income Tax services through the tax administration framework* (15 February 2024), para.4.19, <https://www.gov.uk/government/consultations/simplifying-and-modernising-hmrcs-income-tax-services-through-the-tax-administration-framework/discussion-document-simplifying-and-modernising-hmrcs-income-tax-services-through-the-tax-administration-framework>.

HMRC's simplification measures

For those outside of HMRC's self-assessment criteria, HMRC use a range of alternative approaches to collect tax.

Pre-population of savings interest

HMRC use information they receive from banks and building societies to pre-populate tax computations, rather than requiring savers with taxable interest to register for self-assessment. As noted above, if tax is due, HMRC will issue either a Simple Assessment or amend the taxpayer's PAYE code to collect the tax due through PAYE.

Simple Assessments

Simple Assessment was announced in September 2017 as an extension to the annual reconciliations that HMRC produced for PAYE taxpayers.¹⁸ Initially, two main groups were withdrawn from self-assessment and placed into Simple Assessment: state pensioners with state pensions over the personal allowance, and PAYE customers where it was not possible to collect an underpayment by restricting their PAYE code. Simple Assessments are also often used to collect tax on savings interest between £1,000 and £10,000.

A recent Freedom of Information request showed that 1.32 million Simple Assessments were issued for 2023–24—a significant increase on the 757,745 issued in the year before.¹⁹

Increases to self-assessment thresholds for higher earners in PAYE

Between 2017–18 and 2022–23, higher earning employees with total taxable income of more than £100,000 were generally expected to be in self-assessment.²⁰ This threshold coincided with the point at which the personal allowance starts to be withdrawn.

The threshold was increased to £150,000 for 2023–24²¹ and entirely removed for 2024–25. Its removal was expected to take 338,000 PAYE-only taxpayers out of self-assessment.²² The Association of Tax Technicians (ATT) expressed concerns about removing such individuals from self-assessment as, due to the tapering of the personal allowance above £100,000, small changes in income can have a surprisingly large impact on the amount of tax payable.²³

¹⁸ HMRC, Policy paper, *Simple Assessment—ending the tax return* (22 September 2017), <https://www.gov.uk/government/publications/issue-briefing-simple-assessment-ending-the-tax-return/simple-assessment-ending-the-tax-return>.

¹⁹ Quilter, press release, *HMRC simple assessments soar 74% in a year as stealth tax hits pensioners* (20 May 2025).

²⁰ HMRC, Internal Manual, *Self Assessment Manual* (20 August 2025), SAM100050 “Records: set up taxpayer record: criteria for a PAYE / SA record”.

²¹ HMRC, Guidance, *Issue 108 of Agent Update: Self Assessment threshold change* (24 May 2023), <https://www.gov.uk/government/publications/agent-update-issue-108/issue-108-of-agent-update#sa-threshold-change>.

²² HM Treasury, *Autumn Statement 2023* (November 2023), Box 4.B pp.77–78.

²³ Association of Tax Technicians (ATT), press release, *Rule change could mean people pay the wrong amount of tax* (23 November 2023).

Future changes to self-assessment

Increased threshold for reporting trading income

On 11 March 2025, the government announced that a further 300,000 people would be removed from self-assessment during this Parliament²⁴ by changing the reporting threshold for trading income from £1,000²⁵ to £3,000.²⁶ The measure was described as benefiting individuals generating income from activities such as dog walking, gardening or creating online content—sometimes referred to as “side hustles”. HM Treasury said that, of those removed from self-assessment, 90,000 would not have any tax to pay—and a new online service would be set up for those who did.

Further detail was provided at the Spring 2025 Tax Update Simplification, Administration and Reform (TUSAR) day on 28 April 2025.²⁷ The measure was stated to apply to property and “other taxable income”, as well as trading income, although the estimate of the number of people affected was unchanged. The statement also confirmed that use of the new service by those under the new £3,000 threshold will be optional, so individuals can remain in self-assessment if they wish.²⁸

HMRC’s *Transformation Roadmap*, published in July 2025, noted that the aim would be to expand the new service to “other income types”, but did not provide further detail.²⁹

HICBC

The requirement to register for self-assessment to report and pay the HICBC has been problematic since its introduction in January 2013. Many individuals did not realise they were liable to HICBC, resulting in them being charged penalties and interest for late or missing filings.³⁰

On 18 July 2023, the then Financial Secretary to the Treasury, Victoria Atkins MP, announced that the government would simplify the process for employed taxpayers by allowing them to pay any HICBC through their tax code, without the need to register for self-assessment.³¹

²⁴ Namely, July 2029 at the latest.

²⁵ The current reporting threshold of £1,000 is linked to the tax-free trading and property allowances, which allow individuals to earn gross income (before expenses) of up to £1,000 from trading, property, or miscellaneous income without tax. See HMRC, Guidance, *Tax-free allowances on property and trading income* (8 May 2019), <https://www.gov.uk/guidance/tax-free-allowances-on-property-and-trading-income>.

²⁶ HM Treasury and James Murray MP, press release, *Boost for side-hustlers as 300,000 people to be taken out of tax returns, government announces* (11 March 2025).

²⁷ HMRC, Policy paper, *Tax update spring 2025: simplification, administration and reform summary: Reforming HMRC systems and processes to simplify individuals customer experience: Income Tax Self Assessment criteria review* (28 April 2025), <https://www.gov.uk/government/publications/summary-of-tax-update-spring-2025-simplification-administration-and-reform/tax-update-spring-2025-simplification-administration-and-reform-summary>.

²⁸ HMRC, Policy paper, *Tax update spring 2025: simplification, administration and reform summary: Reforming HMRC systems and processes to simplify individuals customer experience: Income Tax Self Assessment criteria review* (28 April 2025).

²⁹ HMRC, Corporate report, *HMRC’s Transformation Roadmap* (21 July 2025), para.5.3, <https://www.gov.uk/government/publications/hmrc-transformation-roadmap/hmrcs-transformation-roadmap>.

³⁰ See, e.g. Glen Loutzenhiser, “Finance (No.2) Act 2024 notes: Section 5: high income child benefit charge; increase in thresholds (Legislative Comment)” [2024] B.T.R. 631.

³¹ HM Treasury and Victoria Atkins MP, Written Statement, *Finance Bill: draft legislation and tax documents* (18 July 2023), <https://questions-statements.parliament.uk/written-statements/detail/2023-07-18/hews972>.

The proposals are now being taken forward by the current Labour Government.³² At the time of writing, it seems that employed individuals who become liable to HICBC for the first time in 2025–26 will be able to pay the charge through their tax code without registering for self-assessment.³³

The impact of recent simplifications

Many people welcome being removed from self-assessment. The tax return process can be daunting and difficult, and not everyone either wants to—or can afford to—engage a tax adviser.

The problem is that removal, to date, has been piecemeal, resulting in a confusing picture. There is a high bar of £10,000 for those with savings income before self-assessment is required when compared to the £3,000 gross income threshold proposed for those with “side hustles”.

HMRC’s current administrative thresholds are non-statutory, creating a gap between an individual’s legal obligations and HMRC guidance. This makes it hard for advisers trying to follow the law to give advice.

Use of third-party bank and building society data

For those with taxable savings income, there are challenges when relying on HMRC to calculate any tax due.

First, HMRC are not able to match accurately all the data they receive from financial institutions. In a recent consultation, HMRC confirmed that they are unable to match one in five bank accounts to taxpayer records.³⁴

Secondly, taxpayers do not have easy access to the information that HMRC use to calculate tax due. An account-by-account breakdown of savings income is not shown in the taxpayer’s (online) personal tax account, and there are no simple, online routes to report untaxed income, such as savings or dividends. Taxpayers outside of self-assessment, therefore, have to call or write to HMRC to report their income or to correct any computation received from HMRC.

Taxpayers can wait many months for HMRC to issue a tax computation, meaning that they are unable to finalise their affairs at a time convenient to them.

Changes to thresholds for small traders

Existing trading and property allowances allow an individual to receive up to £1,000 in gross income from trading or property without having to pay tax on any resulting profits. This will not change under the Government’s “side hustle” proposal: only the *registration* threshold will change, not the *taxable* threshold.

This measure, which was not consulted on publicly beforehand, could be problematic in practice. Individuals with income receipts of between £1,000 and £3,000 will need to understand

³² HM Treasury, *Autumn Budget 2024: Fixing the foundations to deliver change* (October 2024), para.5.146.

³³ HMRC, Corporate Report, *HMRC’s Transformation Roadmap* (21 July 2025), para.3.1.

³⁴ HMRC, Consultation outcome, *Better use of new and improved third-party data to make it easier to pay tax right first time* (26 March 2025), para.3, <https://www.gov.uk/government/consultations/better-use-of-new-and-improved-third-party-data/better-use-of-new-and-improved-third-party-data-to-make-it-easier-to-pay-tax-right-first-time>.

that they may have tax to pay on their profits but, instead of registering for self-assessment, they can opt to use a “simple” online service to report any tax.

The benefits of self-assessment

For some taxpayers, self-assessment can be the simplest and most cost-effective approach to reporting all of their income and claiming all appropriate reliefs. In the writer’s experience, it can be significantly more time-consuming to try to correct an HMRC-issued tax computation than it is to file a tax return.

For agents, it can be difficult to act for a client not in self-assessment: the agent cannot access the same online services as their clients and there is no easy route by which to obtain authorisation to act for a PAYE-only taxpayer who needs to correct a tax computation issued by HMRC.

HMRC consultations

HMRC have consulted a number of times on improving the self-assessment registration process. The first call for evidence—*The tax administration framework: Supporting a 21st century tax system*—was launched in March 2021 and considered a range of taxes, not just income tax.³⁵ Respondents raised concerns about the relevance of distinguishing between “notification” and registration, but generally “the process of registering for Income Tax Self-Assessment was seen as broadly working well”.³⁶

In November 2021, a more detailed consultation, concerning registration by the self-employed and landlords, was launched.³⁷ This looked specifically at the timing of registration (or notification) as well as whether processes could be improved.

In the summary of responses published in July 2022, HMRC reported that stakeholders had “little appetite” for changing the timing of registration, although respondents had suggested merging the 5 October notification deadline with the 31 January tax return filing deadline to reduce confusion.³⁸ Respondents also highlighted the need for “a review of the circumstances in which HMRC requires taxpayers to make and file a self-assessment tax return”.³⁹ HMRC expressed a willingness to consult before making any changes.

³⁵ HMRC, *Call for Evidence, The tax administration framework: Supporting a 21st century tax system* (March 2021), https://assets.publishing.service.gov.uk/media/6059db528fa8f545cf209a89/The_tax_administration_framework_Supporting_a_21st_century_tax_system_-_call_for_evidence.pdf.

³⁶ HMRC, *Call for Evidence Outcome, The tax administration framework: supporting a 21st century tax system: summary of responses* (30 November 2021), paras 3.19 and 3.20, <https://www.gov.uk/government/calls-for-evidence/call-for-evidence-the-tax-administration-framework-supporting-a-21st-century-tax-system>.

³⁷ HMRC, *Call for Evidence, Income Tax Self Assessment registration for the self-employed and landlords: Call for evidence* (30 November 2021).

³⁸ HMRC, *Call for Evidence Outcome, Income Tax Self Assessment registration for the self-employed and landlords—of responses* (20 July 2022), paras 1.5, 1.6 and 1.9, <https://www.gov.uk/government/calls-for-evidence/call-for-evidence-income-tax-self-assessment-registration-for-the-self-employed-and-landlords/outcome/income-tax-self-assessment-registration-for-the-self-employed-and-landlords-summary-of-responses#next-steps>.

³⁹ HMRC, *Call for Evidence Outcome, Income Tax Self Assessment registration for the self-employed and landlords—summary of responses* (20 July 2022), para.1.9.

The next consultation, *Simplifying and modernising HMRC's Income Tax services through the tax administration framework*,⁴⁰ was in March 2023. Building on the previous consultations, this mainly focused on digital solutions but also looked at potential reform of the circumstances in which taxpayers should file a tax return.

Various bodies, including the ATT and the Institute of Chartered Accountants in England and Wales, said that HMRC should first define and clarify exactly who they want in self-assessment before considering changes to the registration guidance.⁴¹ HMRC's summary of responses, published in February 2024, reported the main problems with self-assessment registration to be around guidance, IT systems, and thresholds—problems likely caused because HMRC are not clear about what they want from taxpayers.⁴²

HMRC considered that the feedback supported their plan to review self-assessment criteria and associated guidance before considering any legislative change.⁴³ They committed to provide updates on the progress of the review and adequate notice of any changes.⁴⁴

As yet, a full HMRC review of self-assessment criteria has not been published, but the writer understands, from conversations with HMRC staff, that a review is ongoing internally. Externally, HMRC are pushing ahead with the introduction of changes to HICBC reporting (see above) and the changes for reporting “side hustles”. On TUSAR day, HMRC further committed to work with professional bodies to ensure that guidance on registering for self-assessment is clear.⁴⁵

Where do we go from here?

Simple improvements

The first step to improving the process of self-assessment would be for HMRC to allow taxpayers to opt into—or remain in—self-assessment even if they do not meet HMRC's criteria.⁴⁶ HMRC recently confirmed the latter aspect was under consideration.⁴⁷

Secondly, HMRC should publish the date by which all Simple Assessments will be issued for any given tax year. This would allow those outside of self-assessment with tax to pay to know if they need to take action.

Further steps could include aligning the deadline for both registration and filing at 31 January, and changing the law so that it uses the common term of “registration” rather than “notification”.

⁴⁰ HMRC, Discussion Document, *Simplifying and modernising HMRC's Income Tax services through the tax administration framework* (15 March 2023), <https://www.gov.uk/government/consultations/simplifying-and-modernising-hmrcs-income-tax-services-through-the-tax-administration-framework>.

⁴¹ ATT, *Simplifying and modernising HMRC's Income Tax services through the tax administration framework* (2023), para.12.3; Institute for Chartered Accountants of England and Wales, “ICAEW responds on simplifying income tax administration” (14 June 2023), <https://www.icaew.com/insights/tax-news/2023/jun-2023/icaew-responds-on-simplifying-income-tax-administration>.

⁴² HMRC, *Simplifying and modernising HMRC's Income Tax services through the tax administration framework review: summary of responses* (15 February 2024), para.2.

⁴³ HMRC, *Simplifying and modernising HMRC's Income Tax services* (15 February 2024), para.3.

⁴⁴ HMRC, *Simplifying and modernising HMRC's Income Tax services* (15 February 2024), para.3.

⁴⁵ HMRC, Policy paper, *Tax update spring 2025: simplification, administration and reform summary: Simplifying HMRC Communications and Guidance* (28 April 2025).

⁴⁶ Legally, those with PAYE income are already entitled to do this: ITEPA 2003 s.711.

⁴⁷ HMRC, Guidance, *Issue 132 of Agent Update: Taxpayers taken out of Self Assessment* (24 June 2025), <https://www.gov.uk/government/publications/agent-update-issue-132/issue-132-of-agent-update#taxpayers>.

A tiered approach

In the longer term, consideration should be given to clarifying the rules on who needs to be in self-assessment. Currently, some taxpayers are registered for self-assessment according to HMRC's criteria, some do not need to be in self-assessment thanks to PAYE, and there is a grey area, in the middle, of those who have tax to pay but where HMRC issue the tax computation.

Creating separate services for different aspects of an individual's tax affairs is unhelpful, as it is unclear how they will interact. An individual with more than one source of income—for example, both savings income and a small “side hustle”—may struggle to get a clear overview of their affairs if HMRC assess tax on savings income by issuing a tax computation, but then ask for modest income from the “side hustle” to be reported on its own via a separate service.

The ability of taxpayers to access the information that HMRC use to pre-populate tax computations is vital. Existing systems should be improved. Not all taxpayers want to engage actively in their tax affairs and this should help to reduce the administrative burden for taxpayers (and should also reduce the need for HMRC support). However, the information that HMRC receive is not always correct or complete—and, as taxpayers still have the ultimate responsibility for the accuracy of their returns, individuals still need to review their position annually.

In the writer's view, one approach would be to create a series of tiers to formalise the position for all taxpayers, with the aim of aligning the point at which tax becomes due with reporting responsibilities and drawing together separate services into a small range of digital services (with paper and telephone alternatives for the digitally excluded).

This approach (summarised below) would bring certainty but also some complexity, so can only be a starting point for further discussion. It appears that HMRC are already thinking along some of the lines discussed below: *HMRC's Transformation Roadmap* includes proposals for improving and expanding the data used in Simple Assessment, automatic registration of taxpayers, and a new online PAYE service to make it easier for PAYE taxpayers to check and update incomes, allowances, reliefs, and expenses—which looks similar to Tier 1 suggested below.⁴⁸

Tier 1: Simple Assessment

Simple Assessment should be expanded to be the default for all individual taxpayers in the UK, with HMRC using information received (including employment and benefits, pensions, and savings income) to prepare the assessment.

As the default position, there would be no obligation for an individual to register. Clear deadlines for HMRC to issue the assessment, well in advance of 31 January and with a window for corrections, would be needed.

Taxpayers should have a simple, online route to log in to view, correct, and update a Simple Assessment, with helpful prompts to add in data such as gift aid (which is not currently pre-populated). A line-by-line breakdown of untaxed income sources (e.g. interest from individual bank accounts) and reliefs should also be available online, with the facility to correct individual amounts. As the information HMRC receive from third parties improves in quality, more people could move to this tier.

⁴⁸ HMRC, *HMRC's Transformation Roadmap* (21 July 2025).

HMRC could continue to collect tax via PAYE coding adjustments where possible, but individuals should be allowed to pay in a lump sum where necessary or preferred.

Tier 2: Basic Assessment

This would apply to people with taxable savings and investment income, property income or gross trading income (turnover) between £1,000 and £10,000. It would also include individuals subject to HICBC, seeking specific tax reliefs, or with small capital gains.

To avoid any gaps in assessment, the point at which an individual enters Basic Assessment should be aligned with the point at which any of their income sources become taxable. To facilitate this, the current dividend and personal savings allowances could be fixed at £1,000 for all taxpayers:⁴⁹ although this would have an Exchequer cost, tax rates could be adjusted to compensate. Going forwards, all allowances for trading, property, savings and dividends would then need to move into line with basic assessment requirements.

Taxpayer registration would be required using a simple, online notice (with a paper alternative) up to the filing deadline of 31 January. If the data that HMRC hold suggest that a taxpayer should move from Tier 1 into Tier 2, HMRC would have the power to notify them of this by a given date (well before 31 January) and then automatically move them into this tier.

Individuals would be permitted to wait for HMRC to complete pre-population of data before reviewing and confirming their position by 31 January, with HMRC working to clear deadlines and providing notifications when data is added to the online account.

Those with employment and savings income should have minimal work to do. Those with trading or property income would need to take a more active role. Reporting would be online, using a simplified version of HMRC's existing (and free) online self-assessment service—effectively an updated version of the current short tax return (SA200).⁵⁰

As this is not a full self-assessment, there could be a softer penalty regime for late registration or failure to confirm details than currently applies under self-assessment.

Tier 3: Full Assessment

This would be the route for anyone with income of more than £10,000 that has not been taxed at source or who has complex affairs. In addition, it should be open to anyone who wishes to opt in to Full Assessment for any reason. Over time, this population will be subject to the requirements of making tax digital.

Conclusion

While the law provides a clear answer to the question of whether or not an individual should be in self-assessment, HMRC's current approach of setting their own administrative criteria for specific groups and designing services around them is confusing, undermines taxpayer responsibility and creates challenges for agents supporting taxpayers not in self-assessment.

⁴⁹ Currently, the availability (and amount) of a savings allowance depends on an individual's taxable income.

⁵⁰ Use of the short tax return was common but is now restricted to a few taxpayers. See HMRC, Internal Manual, *Self Assessment Manual* (20 August 2025), SAM121100, "Returns: individuals returns: short tax returns".

As HMRC develop new digital services, they should consult specifically on the question of who needs to provide a tax return and provide updated self-assessment criteria.

Any new approach should ensure that the criteria for entry into self-assessment aligns with the point at which tax starts to be paid, is consistent between income sources to avoid confusion, and accompanied by clear HMRC guidance which—crucially—actually reflects the individual's legal obligations.

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