

Tax Returns are not just for the Self-Employed - many PAYE workers fall into the net too

'I love deadlines," author Douglas Adams once said. "I like the whooshing sound they make as they fly by." He clearly never filled out a tax return (though he did once say he was spending a year dead for tax reasons). This month shepherds in the annual panic as the self-employed and others negotiate their way through the complex world of the self-assessment tax system and, as usual, most will leave filing to the last minute.



While most people assume that self-assessment is a headache that only the self-employed and company directors need endure, it's important to be aware that the Revenue casts its net far wider than you might think.

There are two categories of people who should be preparing a tax return for the end of this month: the self-employed, including farmers and professionals, and anyone who is receiving income which cannot be taxed in the normal way. Even if you are paying PAYE on your primary source of income, you must declare any other income you have received during the year and calculate any tax due. This applies across the board on everything from profits on rent and investment income to maintenance payments from your ex. The days of chancing your arm with under-the-counter cash transactions are well and truly behind us. In the current fiscal environment, with a government scrambling to make up ever-increasing deficits, no stone will be left unturned and tax avoidance or failure to meet your tax liabilities will incur the wrath of the Revenue.

If you have a particularly complicated return or are entering the self-assessment system for the first time, you might want to hire an accountant. It's fair to say that they will be in a position to ensure that you minimise your tax liability. It is also fair to say that accountants charge fees, so you may want to go it alone. If you have a relatively simple return, it's likely that you will be perfectly able to do so. There is a common perception that an accountant should sign off on your return but this is a myth and you are just as likely to be the subject of an audit if you have done it yourself or through an agent. Revenue Commissioners higher executive officer Brendan King says a substantial number of people submit their returns themselves.

"An individual can make their own income tax return by paper or electronically. If they do so electronically, they have to register themselves and as a paper filer they just complete the return themselves and send it in. There would still be a large number of self-assessment customers who wouldn't have an agent but a lot of those would be people who are PAYE-assessed but are brought into self-assessment because they have income through rental properties or investments and a lot of those would feel that if the bulk of their income is PAYE, they are easily able to manage that themselves," he said.

There are three significant changes this year that you must bear in mind if doing it yourself. Income on greyhound and stallion fees became taxable in August 2008, and anyone drawing income from either should bear in mind that their tax liability for that year will have increased accordingly. There is no capital gains tax due on 31 October this year – though you will still have to file a return – with the tax on gains made in the period up to 31 November, due in mid-December. Tax on gains made in December should be paid by January.

Levies

The major change, however is the introduction of the income levies. They were increased in the emergency budget last year, and so a composite annualised rate applies for self-assessment purposes. The composite rates are: 1.67% on the first €75,063; 3% on the

next €25,064; 3.33% on the next €74,880; 4.67% on the next €75,140 and 5% on the balance.

The easiest way to submit your return is through the Revenue's e-filing system – Revenue Online Service (ROS). You can do this yourself or your accountant can do it for you. The system was introduced at the start of the millennium and is designed to streamline the self-assessment process. It is now the most popular way to submit your tax return – more than 75% of self-assessors used ROS last year. ROS users have round-the-clock access to their Revenue account throughout the year, allowing them to monitor tax liability, file tax returns and make payments for these taxes in a variety of ways, including by laser card.

Errors

Any errors will be picked up straight away and crucially, the service does away with the problem of returns sent shortly before the closing date getting lost in the post. One of the added advantages of using ROS is that you can avail of a two-week extension on the submission of the annual return – though to qualify for this you must file your return through the system, pay preliminary tax for the current year and the balance owed for the previous year, as well as meeting any relevant liabilities under capital gains tax in the current year. The extension now also applies to pension contributions.

If you haven't already signed up for ROS, there is still time to do so. Registering for ROS is a three-step process – you must first apply for your ROS access number; once that has been posted out to you, you must apply for your digital certificate and finally you need to retrieve that certificate and install it on your computer. The process should take about eight working days so the earlier you apply the better.

It is inevitable that a significant portion of people will leave it until the very last minute to file their return – even with the 16-day extension – but for ROS customers help is at hand.

"Last year, over 300,000 tax returns were filed through ROS and, of those, 42,000 were filed on the last day. It is human nature that people will do that – we wouldn't recommend it but if you do leave it to the last day and there is difficulty, there is help available through the ROS helpdesk (1890 20 11 06)," says King.