Office of
Tax Simplification

Office of Tax Simplification
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Review of potential for moving the tax year end date: Scoping document

Introduction

The UK's tax year for individuals runs from 6 April to the following 5 April. This is for historical reasons and has been the case for hundreds of years; the UK's modern tax system and infrastructure have been developed around this date.

By contrast, accounting systems used by businesses have been developed around month and quarter ends. Across businesses and internationally, it is common to account to a month end date.

Many countries use 31 December for their government accounts and the two most popular accounting dates for multinationals are the calendar year end date of 31 December and 31 March. The UK financial year for government accounting and for companies runs from 1 April to 31 March.

Focus of review

The OTS is undertaking a high-level exploration and analysis of the benefits, costs and wider implications of a change in the date of the end of the UK tax year for individuals and will publish a report over the Summer of 2021.

While primarily addressing tax simplification issues, the review will also take account of the implications of any change in other areas, such as in relation to tax credits and benefits.

31 March

The review will focus on the implications of moving the tax year end date from 5 April to 31 March.

This is both the end of a calendar quarter and the nearest month end date to the end of the current tax year. It is also the UK financial year end date, to which the UK government makes up its own accounts, and by reference to which corporation tax rates apply.

Changing the tax year end to 31 March would mean the transitional year – the first year of the change – would be shortened by five days and run from 6 April to the following 31 March.

As well as considering the implications of changing the tax year end to 31 March, the review will also consider potential alternative approaches to addressing practical issues connected with the UK's tax year running to 5 April.

31 December

In addition, the OTS will outline the main additional broader issues, costs and benefits that would need to be considered if the end of the tax year were moved to 31 December.

Many major tax regimes including the USA, France and Germany have a tax year end date of 31 December. Ireland moved its government accounting and tax year ends from 5 April to 31 December in 2002.

In this case, the transitional year would be shortened by three months and five days and run from 6 April to the following 31 December.

Further guidance for the review

In carrying out its review, the OTS will:

- consider the implications for the Exchequer, the tax gap and compliance generally, in particular in relation to Income Tax, PAYE, National Insurance Contributions, Capital Gains Tax and Inheritance Tax
- consider the financial and administrative implications for taxpayers, employers and businesses
- consider the practical implications for HMRC including the operation of their systems
- consider interactions with other government departments and devolved administrations
- reflect on implications for areas connected to individuals, such as partnerships and trusts
- consult with the Administrative Burdens Advisory Board
- take account of relevant international experience