

## Explanatory Note

### Clause 71 and Schedule: Simpler assessments

#### Summary

1. This legislation provides a new power to allow HM Revenue & Customs (HMRC) to make an assessment of an individual's Income Tax or Capital Gains Tax liability without them first being required to complete a self-assessment return where it has sufficient information about that individual to make the assessment. This measure will have effect on and after the date of Royal Assent to Finance Bill 2016.

#### Details of the clause and Schedule

2. Clause 71 introduces the Schedule which makes amendments to the Taxes Management Act 1970 (TMA 1970) to introduce simple assessment.
3. Schedule amends Parts 2, 4 and 5 of the TMA 1970.

#### Part 1: Amendment of the Taxes Management Act 1970

4. Part 1 introduces a power that will allow HMRC to issue a simple assessment to an individual based on information already held by HMRC whether it is received from that individual or a third party. It also provides for HMRC to withdraw a notice to file a return that is no longer required.
5. Paragraph 2 amends section 7 of TMA 1970 removing the requirement by an individual to notify HMRC of income that is subject to a simple assessment.
6. Paragraph 3 amends the heading to section 8B TMA 1970 stating clearly that this section applies when an individual wants HMRC to withdraw a notice to file a return.
7. Paragraph 4 inserts new section 8C into TMA 1970 which permits HMRC to withdraw a notice to file a return if it intends to make a simple assessment. The subsections contained therein set out who will be affected, that HMRC will withdraw the notice and the period when the notice can be withdrawn. As well as allowing HMRC to retain the right to send a further notice to file a return. If a notice is withdrawn any penalties that may have been applied will be cancelled.
8. Paragraph 5 inserts new section 28H, 28I and 28J into TMA 1970.
9. New section 28H provides for the introduction of a simple assessment for individuals. The subsections sets out who will qualify for a simple assessment and the basis on which that assessment is calculated which includes taking account of the individual's personal allowance at that time. It sets out that the simple assessment notice must include details of the information used when making the assessment and the amount due. It also provides that

HMRC can issue more than one simple assessment in a tax year.

10. New section 28I provides for the introduction of simple assessment for trustees it takes effect in the same way as section 28H and also allows for the simple assessment to be sent to any trustees where more than one exists and defines who the relevant trustee to whom the simple assessment should be sent.
11. New section 28J permits HMRC to withdraw a simple assessment if necessary and once withdrawn the assessment no longer has any effect
12. Paragraph 6 inserts new subsection 4A into section 31A TMA that allows for the notice of appeal to be given to any officer of HMRC
13. Paragraph 7 introduces new section 31AA that allows HMRC to suspend a simple assessment if the individual thinks that it is wrong and provides further information to back up this claim. This is to allow the individual to dispute the amount due without having to make a formal appeal. The person must contact HMRC within 30 days of the date of the assessment although HMRC can extend the period. It sets out that HMRC may suspend the assessment in whole or in part and it must notify the person concerned if the assessment is suspended. The individual will be required to pay the sum of money that is not in dispute. It permits HMRC after considering the individuals' dispute to either confirm the assessment, withdraw the assessment or issue a further assessment either in addition to or in place of the original. Where HMRC lifts the suspension it provides that the individual will still be able to appeal the assessment if they remain unhappy that the assessment is incorrect.
14. Paragraph 8 makes amendments to section 59B to make it clear that it does not apply to simple assessments.
15. Paragraph 9 introduces new section 59BA which sets out how the amount due is calculated. It also sets out when the amount due should be paid.

## Part 2: consequential amendments

16. Paragraph 10 contains a consequential amendment to Schedule 55 to Finance Act 2009 inserting new section 17AA(1). This new section cancels a penalty that may have arisen before HMRC withdraws a notice to file a return.

## Background note

17. Modernising the tax system will be one of the biggest-ever changes to the way people manage and pay their taxes. Key to this will be HMRC making smarter use of the data that it holds so that we do more of the work that taxpayers currently have to do for themselves. Making it as easy as possible for individuals to pay the right tax at the right time.
18. These provisions will enable HMRC to issue a legally enforceable assessment to those individuals with straightforward tax affairs where HMRC already hold all the information needed to calculate their tax position without the need for them to complete a return.
19. Those individuals whose tax affairs are not straightforward or where HMRC does not have all the necessary information to calculate their tax liability will still be required to complete a tax return.

20. HMRC will be required to set out clearly how much is due and the information used when calculating the amount due. This will enable the individual to check whether the information used in the calculation is correct, including whether there are any omissions. If the individual disputes the amount due they will be required to inform HMRC explaining why and provide necessary evidence. The requirement on individuals to report information to HMRC remains unless there is no further information than that used in the simple assessment.
21. There are occasions when HMRC has issued an individual with a notice to file a return but realise that this is not necessary. Whilst an individual can currently ask that a notice to file a return can be withdrawn, provision is being made that will allow HMRC to withdraw a notice to file a return when we intend to make a simple assessment.
22. The date the amount is due is linked to the current payment provisions that apply if the individual had completed a return.
23. If you have any questions about this change, or comments on the legislation, please contact Paul Harris on 03000 586519, email: [simple.assessment@hmrc.gsi.gov.uk](mailto:simple.assessment@hmrc.gsi.gov.uk)