

HMRC PAYE Chaos: are you due a tax bill?

This weekend has seen the problems at HM Revenue & Customs following computer system changes last autumn highlighted.

In October last year HMRC switched to a new computer system for taxpayers in the PAYE system – employees and pensioners. There were numerous errors in the switch, including : taxpayers tax allowances (the amount before they pay any tax) being allocated to jobs they left years ago; adjustments for benefits which ceased in previous years reappearing in tax code; tax allowances being given against more than one job or pension.

Now we have the final results of this about to arrive on taxpayers doormat. These errors lead to people having too much or too little tax deducted from their pay or pension. The notifications of these errors are beginning to be sent out by HMRC.

For some taxpayers there will be the pleasant surprise of a cheque coming from HMRC to refund overpaid tax, perhaps to help clear the holiday credit card bill. More worrying for others, there will be a notice that they owe extra tax, potentially over £1,000. Whilst in most cases this will be collected through the PAYE system from April 2011, even then they could be find they are going to be £100 a month worse off.

Taxpayers receiving a notice should check this and ensure that they understand the calculation. If they need help as well as professional accountants there are a number of charities which may be able to help low income workers and pensioners to check their situation (TaxAid, Tax Help for Older People, Citizen's Advice). In some circumstances HMRC will accept it is inappropriate to collect the tax by concession but a key test is whether the taxpayer had a 'reasonable belief' their tax affairs were in order.

The key things people can do to make sure they are not losing out and don't get an unexpected bill are :

- Check your payslips regularly and particularly when your pay changes
- Make sure you understand how the tax (PAYE) deduction is calculated
- If you think the figures are wrong check them by speaking to HMRC or an accountant, your employer may also be happy to help. If you are a low earner a tax advice charity may be able to help.
- If you are due a refund contact HMRC immediately and if you need to submit a Tax Return do this promptly and if possible electronically
- If you owe tax, contact HMRC as soon as possible (so the debt does not grow) and ask them if you can settle it over time (whether through PAYE or by monthly payments to HMRC).



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If you have any queries please call Julian Sims on 023 8023 4222.