

Taxation in the united kingdom

[Economics](#), [Tax](#)



Criteria of differentiate employment and self-employment Laid down some factors and tests by the courts, over the years, which are relevant may be useful to determine the nature of a contract. Right of Control The engaged has a right to control the employee but it is not necessarily must be used in practice. This kind of control usually used by engaged to control when and/or were the employee perform his/her services, how it is perform, and what tasks has to be performed but in some kind of work (where employee is an expert) this control will not be important.

Under the self- employment the person who perform the work is usually free to choose when and where to do so. Financial Risk The main distinction in financial risk between employee and self-employment person is that the second one is ready to risk own money by buying a materials needed to perform the work, and also paying for overheads and bearing the running costs. The employed person not bear any expenses related to the conduct of economic activity. If any of additional cost in case of job overruns will be required the self-employed person must bear them on win risk.

Equipment In this situation self-employed person might have to buy assets and equipment to perform particular job which has to be done. The employee is getting everything under the contract. Work performance and correction Also the engaged will be expected from the employee certain hours of work performed daily or weekly, and at the engaged premises, but it is possible to make an agreement between them to work flexible hour at the places accepted by both sides.

If any correction will be required for the work done, self-employed person has to make that correction with no additional payment ND in own time, but employed person is still able to make that correction within the work time. Holidays and sickness The employee has a right to go for a holiday or take a sickness with no threat that that time won't be paid (paid leave), the same situation for self-employed means that these days will be unpaid. Exclusivity That means the employee is hired by one only employer, and he/she is an integral part of the business.

In self employment the person has usually more than one client and the person is not integral part of client business. 3. Concussions According to above tests and factors, which were applied to the case study, inclusions arises that Kathy should be treated by HOME as an employee rather than self employed. UK income TAX In I. J tax system we can define certain kind taxes into groups: direct taxes and indirect taxes. A. Direct taxes are charged on income, profits and we can to enumerate most important: income tax, capital gains tax, inheritance and corporation tax. B. Indirect taxes, e. G.

VAT are charged Of spending and it is added to the price of the product or service bought. 1 Taxable person Individuals who are resident in the UK for a tax year are generally charged to income tax on all their income for the year. There are two exceptions to this general rule: A. Some forms of income are exempt from income tax B. UK residents whose home is not permanently in the UK to the extent that the income is remitted to the ASK. 4. Tax year Tax year for individuals also might be referred to as fiscal years or years of assessments and it runs from 6 April to the following 5 April.

Any changes to the tax system are usually take a n effect from the start of next tax year. They are proposed in the annual Budget speech. 5. Self assessment Self assessment effects those who get sent a tax return or request a tax turn and particular it applies to the following groups of people: self employed, business partners, company directors, employee or pensioner with complied tax affairs, trustees. Individual's liability for a tax year must be assessed if there is not possible to collect full liability for a tax year deducted at source or PAYEE system.

In this situation that person at first must complete 'self assessment tax return'. Taxpayer has to complete tax return and the amount of tax due and may be calculated by him/her and then check by HOME, or this calculation might be made by HOME if taxpayer prefer to do so. Self assessment tax return has a 6 pages basic document and might be added supplementary pages if needed for purposes of tax payer. There is a available shorter tax return documents which have got 4 pages and it contains simpler tax affairs.

There is also a possibility to file tax return electronically by the HOME website. Tax return filling and summation dates are as follows: A. For paper returns - 31 October following the end of the tax year B. For electronically returns - 31 January following the end of the tax year It has to complete in full and taxpayer cannot omit any figures. 6. Payment dates First payment on accounts (POP) must be made by 31 January of the tax year. Second payment On accounts has to be made by 31 July next following tax year and final balancing payment or refund is made by 31 January.

This is also first payment on accounts of the following tax year. 7. Procedures involved in application of surcharges, interests and penalties PENALTIES - TAX RETURN A. Penalties for late submission of tax return depends from length of being late and they are as follows: 1 day late £0 and applies even when the tax own has been paid or there is no tax to pay 3 months late or each of the following day is £10, up to 90 days Max £1000 6 months late whichever will be higher £1000 or 5% of the amount due 12 months late whichever will be higher £2000 or 5% of the amount due.

When it is serious case the tax payer might rise up to 100% of amount due instead If any of documents submitted to HMRC by a taxpayer leads to understatement of the amount tax due and it is because of careless or deliberate then single penalty applies. This is expressed as a percentage of potential lost revenue as follows: A. 100% if inaccuracy is 'concealed and deliberate' B. 70% in case that inaccuracy was 'deliberate but not concealed' C. In all other cases the percentage is 30%, also 30% if person liable to notify HMRC Of under-assessment has failed to do so.