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HMRC fines for Self-Employed:

I know that the think tank Tax Policy Associates has highlighted this issue, finding that in 2020-21, the latest year for which data is available, 184,000 penalties for late submission were issued to people earning below the income tax threshold. Over the four years from 2018 to 2022, meanwhile, it found that 420,000 penalties were charged to people with earnings too low to owe any tax, making up 40% of all late filing penalties. I therefore appreciate the concerns constituents raise and the importance of this issue.

In response to Tax Policy Associates' findings, HMRC has said it recognises that taxpayers who occasionally miss the filing deadline should not face financial penalties. It says it has already announced reform of the system of fines for late submissions. Under its proposed new system, it says taxpayers will no longer receive an automatic financial penalty for submitting a late tax return. Instead, they will receive points for missing a deadline and only receive a fine after incurring a certain number of points. For late submission of annual self-assessment tax returns, the threshold for receiving a fine will be two points. This means that instead of individuals automatically receiving a £100 fine for one late submission, they will only receive a fine after making a late submission twice. The fine though will be increased to £200.

I support the stated aim of the proposed reform of late tax return fines: to encourage compliance without punishing taxpayers who make occasional mistakes. However, I note there are calls for the Government to provide greater clarity around the new system, including over how it will impact low-earning taxpayers and when it will be introduced. I hope the Government will be able to provide answers on these issues and that it will give proper consideration to the concerns constituents highlight, both in finalising the details of the new system and in any efforts to address them in the meantime until it is introduced.

I can assure constituents that I will continue to monitor this issue.

Marie Rimmer CBE, MP

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