



# ***Basis period reform and estimate figures***

16 May 2022

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## ***Presenters***



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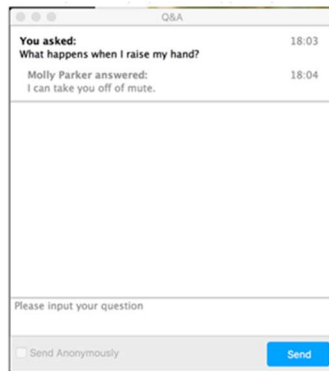
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Small Business and Trading Policy Team  
HMRC

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## *Ask a question*



The screenshot shows a Q&A window with the following content:

Message	Time
You asked: What happens when I raise my hand?	18:03
Molly Parker answered: I can take you off of mute.	18:04

Below the messages is a text input field with the placeholder text "Please input your question". At the bottom left, there is a checkbox labeled "Send Anonymously". At the bottom right, there is a blue "Send" button.

### **To ask a question**

Click on the **Q&A** button in the bottom toolbar to open the submit question prompt.

Type in your question and click **send**.

Note. If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration to the left.

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## ***Basis period reform and estimates***

- Basis period reform – a quick reminder
- Possible solutions for dealing with estimated figures
- Other areas being consulted on
- Q&A

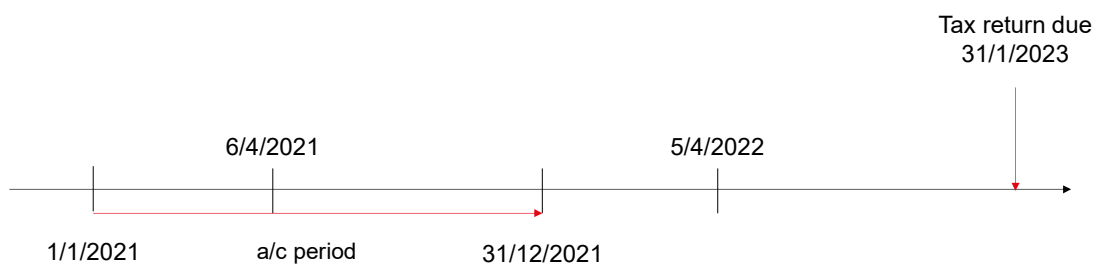
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## ***Who does this change mainly impact?***

- All unincorporated businesses without a 31 March – 5 April year end
- Most likely affected includes:
  - Large and international partnerships
  - Seasonal businesses (eg tourism)
  - Farming businesses
- Basically, any business that chooses to adopt a non-tax year end basis of accounting for commercial or practical reasons

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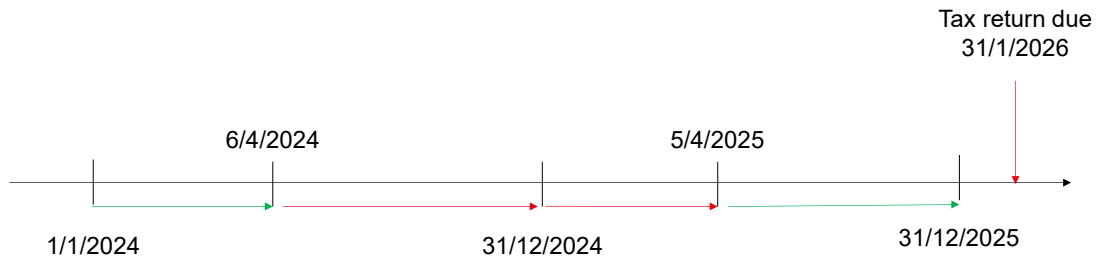
## ***The basis period method (31 December y/e)***



Profits of the accounting period ended 31 December 2021 are taxed in the tax year 2021/22  
 Final tax payment made just over a year after end of accounting period

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## ***New basis of taxation (31 December y/e)***

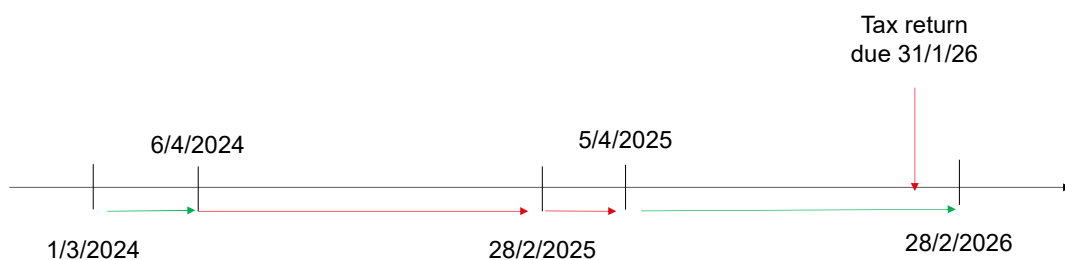


In 2024 – 25, profits taxed are:

- Proportion of profits from 2024 accounting period (6 April 2024 - 31 December 2024); plus
- Proportion of profits from 2025 accounting period (1 January 2025 - 5 April 2025)

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## ***New basis of taxation (28 February y/e)***



In 2024 – 25, profits taxed are:

- Proportion of profits from first accounting period (6 April 2024 - 28 February 2025); plus
- Proportion of profits from second accounting period (1 March 2025 - 5 April 2025)

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## ***Challenges with new basis of tax***

- Estimates required for profits of second accounting period in tax year
- That period may not have ended by time tax return needs to be filed
- Particular estimation challenges for seasonal businesses

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## ***Current rules for using estimates***

- See SALF206
- File based on provisional 'best estimate' figures
- Amend as soon as possible after actual figures are available
- No penalties will apply if estimates were reasonable and any extra tax is paid within 60 days of amendment

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## ***Possible alternatives***

Option	Description	Poll response
1	Allowing taxpayers to amend a provisional figure at the same time as they file their returns for the following tax year	8
2	Allowing an extension of the filing deadline for some groups of taxpayers	Nil
2A	Following the same filing profile as for companies	5
3	Allowing taxpayers to include in the next year's tax return any differences between provisional and actual figures in the previous year	7
3A	Safe harbour approach	2
	No change or none of the above	6

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## ***Poll Question***

Which option would you currently favour for the bulk of your affected clients?

1. Allowing taxpayers to amend a provisional figure at the same time as they file their returns for the following tax year
2. Allowing an extension of the filing deadline for some groups of taxpayers  
(2A – following the same filing profile as for companies)
3. Allowing taxpayers to include in the next year's tax return any differences between provisional and actual figures in the previous year  
(3A – Safe harbour approach)

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## ***Partnerships***

- Significant admin burden for large partnerships potentially created by correction of single partnership level figure
- Possible solutions:
  - Partnership-level reporting
  - Feeding amendments through to partner returns automatically

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## ***Poll Question***

Which option would you currently favour for the bulk of your affected clients?

1. Allowing taxpayers to amend a provisional figure at the same time as they file their returns for the following tax year
2. Allowing an extension of the filing deadline for some groups of taxpayers (2A – following the same filing profile as for companies)
3. Allowing taxpayers to include in the next year's tax return any differences between provisional and actual figures in the previous year (3A – Safe harbour approach)

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## ***Thank you for attending***



Please take the time to fill out our short survey



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