# Helpsheet: Tax computations and tax returns

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## Introduction

The completeness and accuracy of tax computations and tax returns is of vital importance as the consequences for taxpayers in terms of penalties and interest can be significant. Firms should therefore have robust procedures and controls in place to ensure the accuracy and timeliness of return submissions.

## Tax computations

When preparing accounts, it is necessary to identify any information that will be needed for the tax computation, including any non-deductible items. PCRT Helpsheet A: Submission of tax information and 'tax filings' states that a member who prepares a filing on behalf of a client is responsible to the client for the accuracy of the filing based on the information provided so it is essential that the firm's processes reflect this requirement. Often accounting and tax software will make suggestions as to potential non-deductible items however a review should still take place to check for items that may have been miscoded or missed in the software.

There must be adequate control to ensure that tax computations are adjusted to reflect any amendments that are made to the accounts. Depending on the software that is used to prepare tax computations, amendments in the accounts may not be automatically adjusted for in the tax return. Firms should still review for this to ensure consistency in the amendments across the accounts and tax computations.

Clients should be asked, when approving their accounts, to confirm that the accounts can be used as the basis of their tax return for the relevant tax year.

Specimen checklists are available in the General Practice Manual to assist firms through the process of preparing and filing tax returns for clients (see specimen documents below). These checklists also include necessary stages that should be carried out before any client work is done including required AML checks and ensuring there is an up-to-date engagement letter in place.

## Self-assessment tax returns

Firms should ensure that they have procedures in place to make sure that deadlines are met. Most tax software will have a dashboard that will display deadlines and the progress of client tax returns, including what returns are still to be submitted, however this should still be reviewed to ensure everyone, including clients, are aware of their responsibilities in the process.

The procedure will normally include the following steps:

1. An information gathering form of communication should be sent to the client on or shortly after 6 April based on details of the previous year's tax return. This form can normally be generated directly from the tax return production software. Clients should also be aware of how they can provide their information and documents to the firm. These may now include using client portals or other secure software solutions.
2. When a client does provide their information, any relevant documents should be logged in and checked, with any missing information requested immediately.
3. The return should be completed in a systematic manner, ensuring that all relevant information is included, and compared with the previous return. Any differences between the current return and the previous return should be investigated and explained.
4. The tax return should be reviewed by a principal or senior member of staff, and that review should be evidenced. Particular attention should be given to ensuring all necessary supplementary pages, including capital gains if applicable, are included.
5. The tax return should be sent to the client for approval and signature. Evidence of this approval should be retained.
6. If the client does not respond within a reasonable time, a reminder should be sent.

7. On approval of the tax return by the client, it should be submitted without delay to HMRC, together with whatever other information is considered necessary to make a full disclosure, and to avoid any subsequent discovery.
8. For returns filed online, confirmation of receipt should be received from HMRC either within the tax software or by email acknowledging receipt of the return. Processes should be in place to ensure that the confirmation of receipt has been received.
9. Reminder sent to client by January of the impending tax liability. Reminder sent to client by July of any second payment on account due.

## Review processes

The tax computations should normally be reviewed by the manager and principal who carry out the detailed review of the accounts file. It is important that this review be carried out by someone with sufficient tax experience to identify problem areas and recent changes in legislation.

It is also important that someone review the tax returns and for that review to be documented and evidenced. Reviews should be carried out prior to issuing to the client for approval and prior to submitting the return to HMRC.

## Making Tax Digital for income tax

From April 2026, sole traders and landlords with a gross income above £50,000 will be required to maintain digital records using compliant software and to submit quarterly updates to HMRC. From 2027 this will include those with gross income of £30,000 and from 2028 will include those with gross income of £20,000. Firms will have additional procedures for those clients to ensure that the quarterly deadlines are met, in addition to the regular self-assessment tax return deadlines. The ICAS website has a Making Tax Digital Hub with information on these changes and what firms can do to prepare for this.

## Making Tax Digital for VAT

MTD for VAT has been mandatory for all VAT registered businesses since April 2022, unless they are eligible for an exemption. As part of MTD all VAT registered businesses should use compatible software to keep their VAT records and file VAT returns. The HMRC guidance Making Tax Digital for VAT as an agent outlines the requirements for agents filing VAT returns and includes information on how to set up an agent account if you are a new agent and how to ask clients to authorise you to file their VAT returns and access their VAT information online. There is also a list of compatible software that agents may use to file returns.

## PCRT

PCRT consists of the fundamental principles and the standards for tax planning. It sets out the principles and standards that are required of members when undertaking tax work. ICAS members must be familiar with and comply with PCRT as compliance with it is mandatory when doing tax work. A copy of the newest edition effective 1 January 2026 can be found here.

## R&D tax relief claims in tax returns

Firms may be filing company tax returns that include R&D tax relief claims for clients. Firms should have processes which ensure that any R&D tax relief claims are included on the company tax return within the deadlines for making the claim and that the appropriate notification of a claim has been made to HMRC prior to it being included in a tax return. See ICAS updates on new requirements for R&D tax relief claims.
PCRT sets out the requirements for professional competence and due care when dealing with a client's tax affairs. "A member must carry out their work with a proper regard for the technical and professional

standards expected" and "must not undertake professional work which they are not competent to perform unless they obtain appropriate assistance from a suitably qualified specialist". Therefore members should not provide R&D tax advice unless they are competent to do so. The PCRT R&D Helpsheet provides further information on this specific area of tax work. However, members should also be aware of their legal and ethical responsibilities when relying on the information and work provided by third-parties. The FAQs on PCTR Helpsheet B: Tax Advice may be helpful here if clients have engaged another adviser to help with a R&D claim.

## Using AI in preparation of tax returns

Firms may be incorporating the use of AI already as part of their accounting and tax return processes or may be keen to start doing so. AI may also be embedded into the software used by the firm to prepare and file tax returns. Consideration should always be given to the ethics and guidance around the use of AI. Topical Guidance covering the application of PCRT to the ethical use of artificial intelligence tools reminds members that you are ultimately responsible for any work produced, and for regulated firms any work which the firm prepares, irrespective of the use of AI tools in its creation. An appropriate and diligent review process is required on any AI outputs to ensure the information on the tax return is accurate. This requirement to review work is similar to the requirement to review any work done by other members of staff.
Ethical considerations should be given to the use of AI in any accounts and tax return work, especially in respect of client confidentiality. The AI and Technology resources on the ICAS website provides information on the use of AI and what should be considered.

## Specimen Documents

Several specimen checklists are available to assist firms with putting in place procedures and controls around tax computations and tax returns.

### Tax computations

Tax Computation Checklist - Sole Trader

Tax Computation Checklist - Partnerships

Tax Computation Checklist - Corporate

### Self Assessment Returns

Self Assessment Tax Return Control Sheet

Self Assessment Tax Return Completion Review Programme

### Company Tax Returns

Company Tax Return (CT600) Completion Review Programme

Corporation Tax: Return of Income Tax on Company Payments (CT61) Completion Review Programme

## Useful links

HMRC guidance Making Tax Digital for VAT as an agent
ICAS Making Tax Digital Hub
ICAS AI and Technology resources
ICAS updates on new requirements for R&D tax relief claims
PCRT
PCRT Helpsheet A: Submission of tax information and 'tax filings'
PCTR Helpsheet B: Tax Advice

## Further information and assistance

Further assistance and information can be obtained from the Practice Support team. You can contact them through the Practice Support section of the ICAS Technical helpdesk.

You can also contact the Tax team via email.

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