



Are you self-employed?

For those of us who are self-employed the deadline for your second payment on account is looming – namely 31 July for the 2017-18 tax year.

This payment is based on 50 per cent of your combined self-assessment tax and class 4 NIC liability for 2016-17.

So, what happens if your self-assessment liability for 2017-18 is higher than the figure for 2016-17? There is no reason to worry as although there will be a balance owing after your January and July payments have been made, HMRC will not ask for the outstanding amount straight away. The 'balancing payment' will be due by midnight on 31 January 2019.

If your self-assessment liability for 2017-18 is lower than that of 2016-17 then once you have made your January and July payments HMRC will therefore have an overpayment and are only required to offer you a possible refund on 31 January 2019. You can make a formal application to reduce your payment either online using your Government Gateway account or fill in the postal form. However you must claim by 31 January after the end of the tax year - for example by 31 January 2019 for the year 2017-2018.

If you are worried that you cannot make full payment by 31 July - what are your options? It is possible to make a part payment to at least help reduce the amount owed as penalties and interest will shortly come into play. The trigger dates for penalties are 30 days, 6 months and 12 months after the payment due date. A 5 per cent penalty based on the amount of tax outstanding will be charged on each of these dates. Interest is also charged at the current rate of 2.75% on the unpaid tax. This means that the longer the problem is left the larger your debts will become. HMRC can make enforcement actions to get the money owed. This can include collecting through your earnings or pension, using a debt collection agency, taking the money directly from your bank or building society account, taking you to court or even making you bankrupt. Therefore it is not advisable to ignore the brown envelopes landing on your doorstep hoping it will all blow over.

We would suggest that you make a realistic estimate as to when you believe you will be able to pay the amount due - either in instalments or in full. Then contact HMRC's Business Payment Support Service on 0300 200 3835 before the 31 July deadline. You can then hopefully agree an extended payment scheme, which normally entails setting up a direct debit. Basically as long as you think you can clear the outstanding monies owed by when the next payment on account is due then they will tend to agree with your suggested plan.

If however you think the amount you have been asked to pay is wrong you may be able to appeal the tax decision. The appeal can be made by yourself or your accountant but bear in mind that you will usually have to pay your own costs regarding the appeal.

As always, if you have any queries we recommend that you seek professional help.

Published in the Wigan Observer – 22nd May 2018