

Self-Assessment - Payment on Account is looming.....

For those of us who complete a self-assessment tax return, the deadline for your second payment on account is looming – namely 31 July for the 2020-21 tax year.

This payment is based on 50 per cent of your combined self-assessment tax and class 4 NIC liability for 2019-20.

It is not expected that HMRC will announce that payments can be deferred due to COVID-19 as this did not happen for the January 2021 payment. So, 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% 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 2.6% 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. Therefore, it is not advisable to ignore the brown envelopes landing on your doorstep or emails in your inbox, 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. They will ask questions regarding your income, expenditure, assets and to explain what you are currently doing to remedy the situation. You will need to prepare a strong case and it is advisable to get all this information - along with your UTR and bank account details – to hand before you make the phone call.

If the arrears are less than £10,000 and you have no other HMRC arrangements or arrears then you can hopefully agree an extended payment scheme known as a Time To Pay (TTP) arrangement. This normally entails setting up a direct debit. Basically, as long as you think you can clear the outstanding money owed by the time the next payment on account is due; 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 6th July 2021.