

on Account

This factsheet is designed to explain the 'payment on account' procedure for the self assessment system of personal tax.

If you have completed a self assessment tax return you may be liable to make payments on account for the following tax year. You will have to make payments on account if the tax due for the year was over £1,000, the only exception to this is where more than 80 per cent of the year's liability was covered by tax deducted at source.

If you do have to make payments on account they will be held by HMRC and offset against any liability that may arise in the next tax year. The payments on account to be made are calculated as 50% of the previous year's liability, the first being due on 31st January following the tax year, the second by the following 31st July.

To illustrate this with an example

When completing the 2010/11 tax return Mr Bloggs' total tax due was £6,000 and this was due for payment by 31st January 2012.

As the total tax was more than £1,000 Mr Bloggs also had to make payments on account towards his 2011/12 liability. These will equate to £3,000 each (50% of £6,000) and are due for payment to HMRC on 31st January 2012 and 31st July 2012.

When completing the 2011/12 tax return Mr Bloggs' total tax due was £10,000 and this was due for payment by 31st January 2013, however, he had already made payments on account of £6,000 towards this so he only had to make a balancing payment of £4,000 by 31st January 2013.

Again, as the total tax due exceeded £1,000 payments on account will be due. These will each total £5,000 and be due for payment by 31st January 2013 and 31st July 2013.

Reduction of Payments on Account

You can claim to have Payments on Account reduced or even cancelled, maybe due to a reduction in your income or a change to how you receive your income. This can be done as part of the tax return submission itself or you can complete an SA303 form and send this to your tax office.

Please note that if you make a claim to reduce your Payments on Account and it then turns out that you should have made the original payments (i.e. the balancing payment due when completing your tax return), you will be charged interest from the date the payment should have been made.

Only reduce your payments on account if you know that your income for the current year will be lower than last year's or else you will be liable to interest charges or penalties (if the reduction was made without taking proper care).



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