



Personal Tax - When is Income Tax and Capital Gains Tax Payable?



Under the self assessment regime an individual is responsible for ensuring that their tax liability is calculated and any tax owing is paid on time.

Payment of tax

The UK income tax system requires the payer of key sources of income to deduct tax at source which removes the need for many taxpayers to submit a tax return or make additional payments. This applies in particular to employment and savings income. However this is not possible for the self employed or if someone with investment income is a higher rate taxpayer. As a result we have a payment regime in which the payments will usually be made in instalments.

The instalments consist of two payments on account of equal amounts:

- the first on 31 January during the tax year and
- the second on 31 July following.

These are set by reference to the previous year's net income tax liability (and Class 4 NIC if any).

A final payment (or repayment) is due on 31 January following the tax year.

In calculating the level of instalments any tax attributable to capital gains is ignored. All capital gains tax is paid as part of the final payment due on 31 January following the end of the tax year.

A statement of account similar to a credit card statement is sent to the taxpayer periodically which summarises the payments required and the payments made.

Example

Sally's income tax liability for 2017/18 (after tax deducted at source) is £8,000. Her liability for the following year is £10,500. Payments for 2018/19 will be:

	£
31.1.2019 First instalment (50% of 2017/18 liability)	4,000
31.7.2019 Second instalment (50% of 2017/18 liability)	4,000
31.1.2020 Final payment (2018/19 liability less sums already paid)	2,500 —
	£10,500

There will also be a payment on 31 January 2020 of £5,250, the first instalment of the 2018/19 tax year (50% of the 2018/19 liability).

Late payment penalties and interest

Using the late payment penalties HMRC may charge the following penalties if tax is paid late:

- A 5% penalty if the tax due on the 31 January 2020 is not paid within 30 days (the 'penalty date' is the day following)
- A further 5% penalty if the tax due on 31 January 2020 is not paid within 5 months after the penalty date
- Additionally, there will be a third 5% penalty if the tax due on 31 January 2020 is not paid within 11 months after the penalty date.

These penalties are additional to the interest that is charged on all outstanding amounts, including unpaid penalties, until payment is received.

Nil payments on account

In certain circumstances the two payments on account will be set at nil. This applies if either:

- income tax (and NIC) liability for the preceding year - net of tax deducted at source and tax credit on dividends - is less than £1,000 in total or
- more than 80% of the income tax (and NIC) liability for the preceding year was met by deduction of tax at source and from tax credits on dividends.



Claim to reduce payments on account

If it is anticipated that the current year's tax liability will be lower than the previous year's, a claim can be made to reduce the payments on account.

How can we help

We can prepare your tax return on your behalf and advise on the appropriate payments on account to make.

We can advise you whether a claim to reduce payments on account should be made and to what amount. Please do contact us for help.

For information of users: This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.

Get in touch

Thames Valley Office

+44 (0)1344 875 000

The Courtyard

High Street

Ascot

Berkshire

SL5 7HP

United Kingdom

North Hampshire

+44 (0)1252 960 500

Victoria House

178-180 Fleet Road

Fleet

Hampshire

GU51 4DA

United Kingdom

London - Central Office

+44 (0)203 004 2232

One Mayfair Place

Level 1

Devonshire House

Mayfair, London

W1J 8AJ

United Kingdom

West London Office

+44 (0)208 789 8588

13 Princeton Court

53 to 55 Felsham Road

Putney

London

SW15 1AZ

United Kingdom

London - City Office

+44 (0)203 004 2232

The Leadenhall Building

122 Leadenhall St

London

EC3V 4AB

United Kingdom

