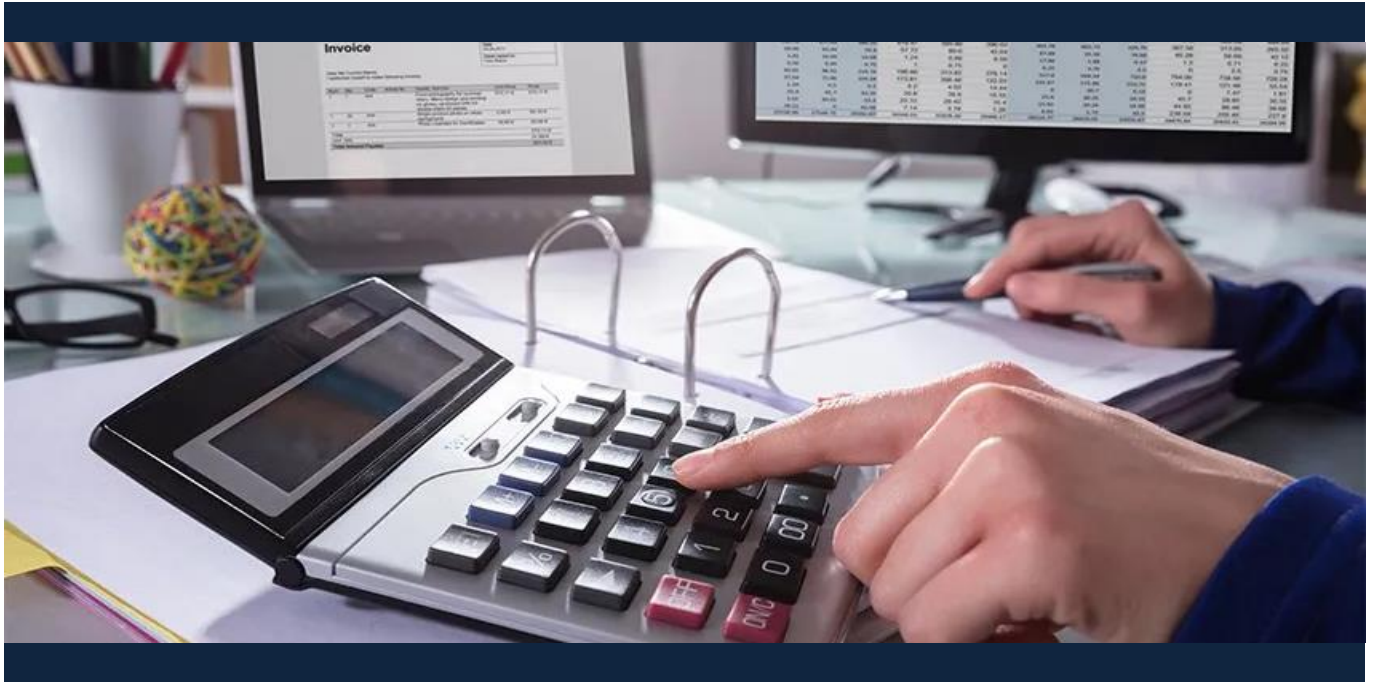


Broadcast

FACTSHEET: DON'T OVERPAY TAX JULY 2025

SPECIAL ISSUE

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This alert is for all traders who are registered for self-assessment in the United Kingdom. It concerns your payments on account, specifically the upcoming payment due in July 2025. Understanding how these payments work and what options are available to you is crucial for managing your tax liabilities effectively.

What are Payments on Account?

Payments on account 2024-25 are advance payments towards your income tax and Class 4 National Insurance liability. They are usually required if your Self-Assessment tax bill for the previous year was more than £1,000. HMRC collects these payments in two instalments, the first by 31 January and the second by 31 July. Each payment is typically 50% of your previous year's Self-Assessment liability.

For example, if your Self-Assessment tax bill for the 2023-24 tax year was £6,000, your payments on account for the 2024-25 tax year would be £6,000 in total, split into two payments of £3,000 each, due on 31 January 2025 and 31 July 2025, respectively.

The July 2025 Payment

The second payment on account for the 2024-25 tax year is due on 31 July 2025. This payment will be based on 50% of your agreed self-assessment liability for the *previous* tax year (2023-24). It is important to ensure you have sufficient funds available to meet this obligation to avoid potential penalties and interest charges from HMRC.

What if Your Income Has Decreased?

A key issue to address is what happens if your income and, consequently, your tax liability for the 2024-25 tax year is likely to be *lower* than it was for the 2023-24 tax year.

In such cases, you have the option to reduce your payments on account.

If you believe your income has decreased, you can apply to HMRC to reduce your payments on account. This involves estimating your expected income and tax liability for the tax year (2024-25) and submitting this information to HMRC. HMRC will then review your application and, if satisfied, reduce your payments on account accordingly. It's crucial to provide accurate estimates, as underestimating your income could lead to a larger balancing payment and potential penalties at the end of the tax year.

How to Reduce Your Payments on Account

You can reduce your payments on account online through your HMRC online account. You will need your Government Gateway user ID and password to access your account. Alternatively, you can complete form SA303 and send it to HMRC by post. It is advisable to do this as soon as possible if you anticipate a lower tax liability for 2024-25, allowing time for HMRC to process your request before the 31 July 2025 deadline.

Example: Let's say your 2023-24 tax liability was £6,000, resulting in two payments on account of £3,000 due in January and July 2025. However, due to a significant downturn in your business, you estimate your 2024-25 tax liability will only be £3,000. You can apply to reduce your payments on account to £1,500 each to reflect this lower expected liability.

Action to Take

1. Review your income: Estimate your income and potential tax liability for the 2024-25 tax year.
2. Compare with previous year: Compare your estimated liability with your 2023-24 tax liability.
3. Consider reducing payments on account if you anticipate a lower liability.
4. Apply to HMRC: Apply to reduce your payments on account online or by post using form SA303 *before* 31 July 2025.
5. Keep accurate records: Maintain accurate records of your income and expenses to support your application.

We recommend that you contact us if you require assistance with estimating your tax liability or reducing your payments on account. We are here to help you navigate the Self-Assessment system and ensure you meet your tax obligations efficiently.

We can help

If you require any further information, please contact us on **01753 888 211** or email info@nhllp.com