



If you or your business fail to pay tax on time, HMRC will impose penalties and interest. Below is a breakdown of the current penalties for Income Tax, VAT, PAYE, and Corporation Tax.

Income Tax (Including Self-Assessment) – Late Payment Penalties

If you miss the 31 January deadline for paying your Self-Assessment tax bill, the following penalties apply:

- 30 days late – 5% of the outstanding tax.
- 6 months late – A further 5% of the unpaid tax.
- 12 months late – Another 5% of the outstanding amount. Interest is also charged on unpaid amounts, including penalties.

VAT – Late Payment Penalties (New System from 2023)

From 1 January 2023, HMRC introduced a new penalty system for late VAT payments:

- Up to 15 days late – No penalty if paid or a payment plan is agreed.
- 16-30 days late – 2% penalty of the outstanding VAT.
- Payments more than 31 days overdue - the first late payment penalty is calculated at 2% of what was outstanding at day 15 plus 2% of what is still outstanding at day 30. The second late payment penalty is calculated at a daily rate of 4% per year on the outstanding balance. This is charged every day, from day 31 until the outstanding balance is paid in full, or just before the end of the 2 year assessment time limit, where tax remains outstanding, when the penalty is assessed.

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- Persistent non-payment – Further penalties apply, including daily charges after 31 days. Interest is charged from the due date at the Bank of England base rate + 2.5%.

PAYE (Pay As You Earn) – Late Payment Penalties

If you don't pay PAYE on time (usually the 22nd of each month for electronic payments), penalties are charged based on the number of late payments in a tax year:

- 1 late payment – No penalty (unless over six months late).
- 2 to 4 late payments – 1% of the late amount.
- 5 to 7 late payments – 2%.
- 8 to 10 late payments – 3%.
- 11+ late payments – 4%.

If PAYE is over six months late, a further 5% penalty applies, plus another 5% if still unpaid after 12 months.

Corporation Tax – Late Payment Penalties

Corporation Tax is due 9 months and 1 day after the end of your accounting period. If you pay late:

- Interest is charged at Bank of England base rate + 2.5%.
- If tax is still unpaid after 6 months, HMRC may issue a 10% surcharge.

Time to pay arrangements

Always pay your taxes on time to avoid unnecessary penalties and interest. If struggling, contact HMRC early to set up a Time to Pay arrangement.

We can help

If you would like further information, please call us on **01753 888 211** or email info@nhllp.com. We would be happy to help.