

2018/19 PAYMENTS ON ACCOUNT



OVERVIEW

'Payments on Account' are advance payments towards your tax bill (including Class 4 National Insurance if you're self-employed).

You have to make 2 payments on account every year unless:

- your last Self-Assessment tax bill was less than £1,000
- you've already paid more than 80% of all the tax you owe, for example through your PAYE tax code

Each payment is half your previous year's tax bill. Payments are due by midnight on 31 January and 31 July.

If you still have tax to pay after you've made your payments on account, you must make a 'balancing payment' by midnight on 31 January following the year of assessment.

THE ISSUE

However, this year it seems that HMRC's computer systems have not set up the appropriate payments on account for 2018/19 for individual tax payers. Due to this anomaly, some taxpayers have had their first payment on account repaid to them.

THE SOLUTION

The latest guidance from HMRC is that in the situation where a taxpayer's record has not had the payments on account for 2018/19 created and therefore a repayment

issued for the first payment on account for 2018/19, the taxpayer has two options:

- To continue and make the two payments on account (as we will have advised in our cover letter that we sent to you together with your Tax Return) – Nunn Hayward will call HMRC to advise them not to repay these payments. The payments on account will then sit on your tax account as a credit (and will be available to offset against the actual tax liability for 2018/19 when it is calculated)
- Keep the repayment issued by HMRC – no payments on account will be created and no payments on account will be required to be paid for 2018/19. However, this will mean that the full liability for 2018/19 will become due by 31 January 2020.

In all situations where HMRC are not creating the payments on account for 2018/19 HMRC have confirmed there should be no interest arising on an individual tax payer's account for late payment.

There has not been an official release from HMRC in respect of this payment on account anomaly and the above guidance is what has been offered to us verbally as agents acting on taxpayer's behalf.

If you would like to discuss this further, please contact a member of the Tax Team on **01753 888211** or email **info@nhllp.com**