

PAYMENTS

Tax payments - how late can you be?

You've missed the 31 July self-assessment payment deadline for your second self-assessment income tax payment on account. What are your options and what can you expect from HMRC?

HMRC's pound of flesh

If you're late paying your July instalment of tax, HMRC will charge interest at 2.75% (3% until 23 August 2016), no ifs or buts and no matter how good your reasons. That's bad enough, but it's HMRC's late payment penalties that can really hurt. More about these later, but there's another thing to consider first.

What's the worst HMRC can do?

HMRC often, but not always, uses commercial debt collection agencies and can take possession of your goods without a court order. It has wide powers over goods: it can enter premises and list goods for seizure. These can include items you need for your business, if nothing else is available.

Is the bill too high?

The first thing to bear in mind is that the July self-assessment payment is only an estimate unless you've submitted, and HMRC has processed, your 2015/16 tax return.

Tip. If you think your overall tax liability for 2015/16 is less than that for 2014/15, and you haven't submitted your 2015/16 self-assessment return yet, you can retrospectively reduce the payments that were due on 31 January and July.

Time to pay

If, once you're sure that the tax bill is accurate, you aren't able to pay it in one go, HMRC will usually agree instalments. These are called time to pay (TTP) arrangements. There's no automatic right to TTP. HMRC gives guidelines on when it will agree, but it's subjective so be persistent (see **The next step**).

Tip. Before you contact HMRC get your facts straight, and have details of your income and expenses to hand. If you have a special reason for not being able to pay, i.e. something outside of your control, such as the severe flooding early in 2016, have your explanation ready. Get all the facts in first time because adding to your story later makes it sound like a

lame excuse. If you receive a negative response, ask for your case to be reviewed by someone higher up.

How much time?

HMRC's leeway can be limited. You may get just a couple of months and at the most a year to pay. Start the ball rolling by phoning the Self-Assessment Payment line on 0300 200 3822, if you're applying after the due date.

If you're applying before the due date, which is always sensible, call the Business Payment Support Service on 0300 200 3835.

Penalties - older tax first

If you still owe tax for 2014/15 (the final payment of this was due on 31 January 2016) you will have already incurred late payment penalties. The next penalty arises on 1 February 2017 and is 5% of the tax still owing. However, if you agree TTP before then HMRC will usually not charge the penalty.

As well as charging interest and penalties HMRC can seize goods to cover a debt. While you can't avoid interest, penalties and other measures will be foregone if you suggest a reasonable time in which you can pay. When you realise you can't pay, the sooner you approach HMRC the more likely it is to negotiate.

The next step

- [HMRC's TTP guidelines](#)