



PERSONAL TAX - WHEN IS INCOME TAX AND CAPITAL GAINS TAX PAYABLE?

www.hwca.com



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.

SMES AT FD EXCELLENCE AWARDS



2014

WINNER
ACCOUNTANCY FIRM
OF THE YEAR



2015

WINNER
ACCOUNTANCY FIRM
- LARGER CLIENTS

**OVER
60**



**LOCATIONS
AROUND THE UK**

WINNER
AUDITOR OF THE
YEAR FOR SMES



2012

&



2013

ACCESS TO
OVER 100
SPECIALIST SERVICES



TO HELP WITH EVERY ASPECT OF
YOUR BUSINESS & PERSONAL NEEDS



VIA OUR INTERNATIONAL ALLIANCE



FUNDRAISING
FOR OVER 100 LOCAL CHARITIES

HELPING OVER

35,000

BUSINESS OWNERS REACH THEIR GOALS

OVER 1,000 PEOPLE



AROUND THE UK WORKING TO SUPPORT CLIENTS

Having advisers that can add expert advice and value to both your business and personal wealth aspirations is important for most business owners. By understanding what you want to achieve, Haines Watts is able to work with you to identify opportunities for growth, saving money and managing risk to help you reach your goals. If you have an hour to spare, why don't you arrange a meeting with Haines Watts to find out how we can help you with your business needs?
Contact your local office: www.hwca.com/offices