CBS
Central Business Services

Business Advisers, Accountants and much more

26 Oak Business centre, 79-93 Ratcliffe Road, Sileby,
Loughborough LE12 7PU
Tel: (01509) 816150 | www.centralbusiness.co.uk

Payments on Account

Information is provided as a simple, helpful guide. Please note this is not a legal document. For more detail and fuller explanations, please speak to one of our specialists.

You can always find useful, relevant information on our website - www.centralbusiness.co.uk

Our services include;

- Accounting
- Bookkeeping
- Payroll
- Business Advice
- VAT
- CIS

CBS (Accounting) Ltd

Registered in England

- 5857205

26 Oak Business Centre

79-93 Ratcliffe Road

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LE12 7PU

Payments on Account
To HMRC

Payment on account (POA) is an advance payment which you must make to HMRC if you are self-employed, or have other income which is subject to Self-Assessment, and your tax bill is £1,000 or more.

Many self-employed people (AKA sole traders) who complete a Self-Assessment tax return for the first time are left somewhat baffled when their tax bill is much bigger than expected.

The basic principle is that HMRC wants you to pay towards the following tax year's tax.

You will still be paying in arrears but not a full year in arrears.

For example:

In the tax year 2022/23, you made a profit which resulted in tax to pay of £5,000

So, for your profit in 2022/23, you will need to pay your tax (and National Insurance) by 31 January 2024.

This is 10 months after the tax year end – so have received the money well before you need to pay the tax (and, hopefully, you haven't spent it).

Payments on Account are a method of paying HMRC sooner than 10 months after a year end.

In addition, you will need to make a "Payment on Account" of 50% of the tax due, which equals £2,500 in this case.

A further "Payment on Account", again of £2,500 will be payable by 31 July."

They are based on HMRC assuming that your tax will be the same in the following tax year.

If you know that your tax (usually your profits) will be lower in the next tax year, you can apply to reduce (or cancel) Payments on Account.

Bear in mind that, if you do reduce or cancel Payments on Account and this turns out not to be correct, you will be charged interest and could be penalised – so be sure.

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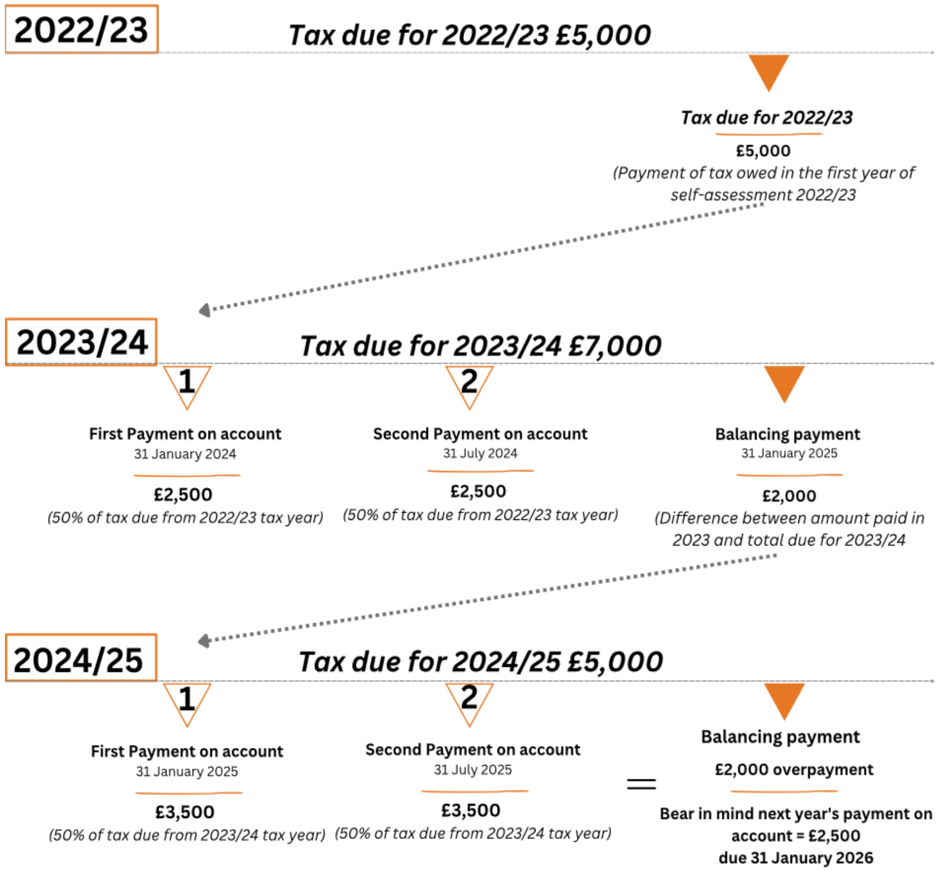

If you want to watch a short video explain Payments on Account, you can find it on our website www.centralbusiness.co.uk

For personal help and support, you can always speak to one of our specialist team - 01509 816150