

When is income tax and capital gains tax payable

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When is income tax/capital gains tax payable?

The UK income tax system requires the payer of key sources of income to deduct tax at source which removes the need for many tax payers to submit a tax return or make additional payments. We can prepare your tax return on your behalf and advise on the appropriate payments on account to make. We can also advise you whether a claim to reduce payments on account should be made and to what amount.

If you would like to discuss how we can assist you, please contact us on 01494 675321 or by email at info@rousepartners.co.uk

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 2018/19 (after tax deducted at source) is £8,000. Her liability for the following year is £10,500. Payments for 2019/20 will be:

31.1.2020	First instalment (50% of 2018/19 liability)	4,000
31.7.2020	Second instalment (50% of 2018/19 liability)	4,000
31.1.2021	Final payment (2019/20 liability less sums already paid)	2,500
		£10,500

There will also be a payment on 31 January 2021 of £5,250, the first instalment of the 2020/21 tax year (50% of the 2019/20 liability).

Late payment penalties & 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

Where there is only a modest amount of income tax due, after tax deducted at source has been accounted for then 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. We can advise you whether a claim should be made and to what amount.

Trusted advice, *imaginative solutions.*

It's the old adage that all accountants are the same, but ask yourself this; what kind of service would most add value to your personal or business position? In our opinion, the quality of advice and service is what separates a good accountant from a great one. This is where Rouse Partners can make a difference for you.

Our award-winning team make it their business to get to know you and your specific needs. Whether your goal is to grow your business, increase your personal wealth or improve your work-life balance, by understanding your challenges, we will address them together.

We also know how important it is for you to have a team that you can rely on for timely advice and reassurance. At Rouse, our people are our most important asset and we will select team members who offer an optimum mix of experience, specialism and knowhow. From your Partner, to your Tax Advisor, each team member will be accessible to you or your team and be proactive in seeking solutions.

At the heart of our way of working is a determination to think differently, to challenge the 'status quo' and to ask 'what if?'. Whether you are facing a complex tax, accounting or management situation, we are ready to find a solution.

Contact us today to discuss how we can support your personal or business tax needs:

t: 01494 675321

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