



## Payments on Account - FAQ's

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### What are payments on accounts?

Payments on account are where the Inland Revenue request that you make a contribution towards next year's tax bill in advance of it being calculated.

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### Why do the Inland Revenue request payments on account?

As tough news as it may be that the Inland Revenue are after your money in advance, there is logic behind why payments on account are in force.

With employed chiropractors, their tax is deducted and paid across to the Inland Revenue on a monthly basis, which keeps the government happy!

When you are self employed, there is significant delay between the time you earn your income and the time you pay across tax on that income.

For example, if you consider income earned in the period from 1 April 2008 to 31st March 2009, the tax return and payment isn't due until 31st January 2010. This equates to 10 months after the income earned in March 2009 and 21 months from income earned in April 2008.

The payment on account system helps to match income earned and tax paid in the same period.

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### Who has to make payments on account?

If your tax is over £500 then the Inland Revenue will request that payments on account are made. It applies to all chiropractors paying personal tax payments through a tax return.

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### How are payments on account calculated?

Payments on account are based on the tax for the previous year. For example if your tax for the year ended 31 March 2009 was £5,000, then the payment on account calculation would assume that income and other factors would remain the same and therefore tax would also remain the same in the following year. It is aimed only to be an estimate.

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### When are payments on account due to be paid?

The Inland Revenue request payments on account to be paid in two installments, the first in January, along with the ordinary tax payment and the second in the following July.

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### What if my income has ceased or reduced in the following year?

There is the potential to make a claim to reduce your payments on account if your income has definitely decreased and it is likely that your tax bill will be significantly less.

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### If I don't make the payments on account, will I be charged interest?

If you miss your payment on account, you will be charged interest up until the point it gets paid. If it turns out your tax is much lower than the previous year and the payment on account was not due in the first place, then you will not be charged interest.

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