HMRC - CH142220 - Overview

You must check whether, and from which date, the FA 2009 interest rules apply to the tax or duty you are dealing with. See CH140160 for full details.

There are two situations where the amount on which late payment interest is charged differs from the amount used for the general rule, see CH141120. These situations only relate to an income tax self assessment where payments on account would be due.

A person can claim to reduce their payments on account if they think that their ITSA liability for the year will be less than their previous year’s liability. If their final liability is greater than their estimate, they have to pay a balancing payment. In this situation their payments on account were too low and therefore late payment interest is due on the difference between what they should have paid and what they did pay, see CH142240.

Where the payments on account, whether in full or a reduced amount, are greater than the person’s overall ITSA liability, this results in an overpayment. This means that the payments on account should have been less, therefore we allocate half of the overpayment against each payment on account to arrive at the amount that should have been paid. If the necessary payments were not made by the relevant date, late payment interest is charged on any of that reduced payment on account that was paid late, see CH142280.

Class 4 National Insurance Contributions (NIC) and student loan payments are included in the tax calculation so are part of the balancing payment under section 59B of TMA 1970.

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