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# SELF ASSESSMENT TAX EXPLAINED

If you're new to self-employment or being a landlord, navigating Self Assessment can feel overwhelming. It's one of those tasks you know you should grasp better but often find yourself postponing.

- When do you actually pay the tax?
- Why does January appear so costly?
- What exactly is a “payment on account”?

In this article, we'll guide you through how Self Assessment tax payments function in practice, highlight the key dates to remember, and help you avoid unpleasant surprises by planning ahead.

## Understanding Self Assessment Payments

Once you complete and file your tax return, HM Revenue & Customs (HMRC) will calculate the amount of tax you owe on all income earned outside of PAYE. Unlike taxes deducted automatically from a salary, you are responsible for making these payments yourself, making it essential to be aware of the deadlines.

For most individuals, there are two primary types of payments to make each year:

- Payment on Account: This serves as a prepayment for your tax for the upcoming year. If your tax bill for a year exceeds £1,000, HMRC will require you to make two equal payments on 31 January and 31 July. Think of it as a deposit towards your tax bill.

- Balancing Payment: This is the additional amount owed once your tax return is finalised and submitted. It is due by 31 January following the end of the tax year.

For example, if your tax bill for 2023/24 is £3,000, you will likely pay £1,500 on 31 January 2025 and another £1,500 on 31 July 2025 as payments on account. Then, if your tax bill for 2024/25 amounts to £3,200, you will need to make a £200 balancing payment by 31 January 2026.


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If you are new to Self Assessment, then you probably will not have made any payments on account for the first tax year that you file a tax return for. So, you will need to pay the full balance for the entire tax year on the 31 January following the tax year end.

In other words, if your tax bill for 2024/25 is £3,200, you'll need to pay £3,200 on 31 January 2026. You'll also pay a £1,600 payment on account against the next year's tax bill on the same date, which means you'd pay a total of £4,800. No wonder January can feel so expensive!

## How to pay

Paying is straightforward once you know the methods.
These days most people pay online through their HMRC account by bank transfer or by debit card. You can also use the HMRC app to pay your bill through your bank's app or by using online banking.
You just need the reference numbers to make sure the money goes to the right place.

## Avoiding surprises

Late or missing payments can lead to penalties and interest charges, so planning ahead is essential. A good tip is to set up a calendar reminder so that you don't forget to make the payment on time.
Keeping a separate pot of money for tax that you save each month can also prevent you from scrambling at the last minute.

*If you need help completing your tax return or want advice on paying tax, please get in touch. We would be happy to help you.*