



Income tax arrears

Income tax

If you have arrears of income tax, you should contact HM Revenue and Customs (HMRC) as soon as possible.

If you don't pay your income tax, or don't come to an arrangement with HMRC to pay off the arrears, the consequences could be very serious. If you pay tax under PAYE, in many cases HMRC will try to collect the debt by an adjustment to your tax code, but they may also:

- use a private debt collection agency to recover the debt from you
- apply to the sheriff court to claim the money you owe. The court will send you a summons. This is an order to make you go to court for a hearing where they will usually order you to pay back the arrears and costs.

If you pay before the sheriff court hearing, no further action will be taken against you. If you don't pay the court can:

- grant a summary warrant which means that money will be taken from your wages or your bank account to pay off the debt
- grant a summary warrant to take and sell goods which are within your business premises or outside your home, for example your car, to pay off the debt
- make you bankrupt if you have debt of more than £3,000. If you are made bankrupt you could lose your home.

If you get a statutory demand from HMRC, get help from an expert debt adviser straight away.

Check the figures

If you're told you have arrears of income tax, you should always check the figures. Because the tax system is so complicated, it's not unusual for tax bills to be wrong. Ask for a breakdown of the figures if necessary. You should check:

- if HMRC have made any **mistakes** in the amount of money they say you owe. If the debt is a PAYE underpayment as a result of official error or delay, HMRC may write off the arrears
- if the tax bill is estimated. An estimated bill is known as a determination. It is enforceable in the same way as any other tax bill, even if it is wrong. It will only be replaced if you fill in a tax return. You should do this as soon as possible to avoid the estimate becoming fixed



- if you can reduce the amount you owe by making a claim for **tax allowances or reliefs**. You can claim tax allowances and reliefs for up to four years after they were due. Sometimes, HMRC will put off taking action against you while you see whether you can claim for back-dated reliefs and allowances.

If you believe your income tax has been wrongly assessed or based on estimates, you should contact your tax adviser if you have one. Or get advice from one of the organisations listed at the end of this fact sheet.

How to deal with HMRC

If you've checked your figures and accept that you do owe the money claimed, draw up a budget. This will show you how much money you have left after paying essential household expenses like housing costs and food. You will then be in a position to try and come to an arrangement with HMRC to pay off your arrears. You should remember:

- HMRC will nearly always refuse any offer you make to pay off only part of the debt. They will not usually write off a debt
- if you have no money to pay off the debt, you can ask HMRC if they will let you put off payment for a while. They might let you do this if you're not working, living on benefits, have no savings or nothing of value to sell. If they agree and your circumstances change, for example, because you get a job, HMRC will then usually try to collect the arrears from your income
- interest will be added to your debt for as long as it remains unpaid. HMRC cannot freeze the interest to help you clear the debt, unlike some other creditors
- you can ask to have time to pay off the arrears. HMRC must consider letting you do this if you ask. They will need details of your income, expenditure and savings before they will consider this. They will not usually allow you more than 12 months to pay off the debt
- if you're in poor health, disabled or elderly, you should point this out to HMRC as you may be treated more sympathetically. You could try asking for the debt to be written off
- if this is the first time you've been in debt, you should point this out to HMRC. If you've been in trouble before, this may count against you.

If you need time to pay, contact HMRC as soon as possible. Use the number on the latest letter you have from them. If you pay tax under PAYE, you can ring the Taxes Helpline on 0300 200 3300. If you pay tax under Self Assessment, you can ring the HMRC Self Assessment Payment Helpline on 0300 200 3310. If it's a business debt, use HMRC's Business Payment Support Service on 0300 200 3835, but you must do this before the payment deadline.



Help from HMRC

You can get free advice and help with tax matters from an HMRC helpline. You can find the relevant helpline on the GOV.UK website at

<https://www.gov.uk/government/organisations/hm-revenue-customs/contact>

HMRC provides special services for customers with particular needs. There is more information on the HMRC website at <https://www.gov.uk/dealing-hmrc-additional-needs>

TaxAid

If you're on a low income, you may be able to get advice from **TaxAid**. You can contact the TaxAid helpline on 0345 120 3779, or look on their website at:

www.taxaid.org.uk.

Other information which might help

[Help with debt](#)

[Sample debt letters](#)

[Budget tool](#)

[Bankruptcy fact sheet](#)

[What happens if you are taken to court for money you owe](#)

Further help

Citizens Advice Bureau

Citizens Advice Bureaux give free, confidential, impartial and independent advice to help you solve problems. Find your nearest CAB at www.cas.org.uk or check in the phone book.

Last updated: 2 November 2016

The law changes frequently. To confirm you are looking at the most up-to-date version, download the fact sheet from www.citizensadvice.org.uk/scotland or contact your local Citizens Advice Bureau.

Produced by [Citizens Advice Scotland](#) (Scottish charity number SC016637), an operating name of The Scottish Association of Citizens Advice Bureaux. This fact sheet provides general information only and should not be taken as a full statement of the law.