IFA REPRESENTATION 01/26

Open Consultation – Timely Payments in Income Tax Self Assessment (ITSA)

The IFA welcomes the opportunity to this open consultation published on 23 June 2026.

We would be happy to discuss any aspect of our response and to take part in any further consultations in this area.

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Established in 1916, the Institute of Financial Accountants (IFA) is an internationally recognised professional accountancy membership body. Our members work within micro and small to medium-sized enterprises or in micro and small to medium-sized accounting practices advising micro and SME clients. We are part of the Institute of Public Accountants (IPA) of Australia Group, the world's largest SME focused accountancy group, with more than 49,000 members and students in 100 countries.

The IFA is a full member of the International Federation of Accountants (IFAC), the global accounting standard-setter. As such, the IFA takes its place alongside the UK and Ireland's six chartered accountancy bodies.

The IFA have been approved by:

HM Treasury to supervise our members for the purposes of compliance with the Money Laundering Regulations, and by the Financial Services Authority in the Isle of Man.

The Charity Commission in England and Wales, for conducting independent reviews of charity accounts below the audit threshold;

The Scottish Charity Regulator, for providing independent examination of Scottish charity accounts; and

The Civil Aviation Authority (CAA) for IFA practising members to join the ATOL Reporting Accountants (ARA) scheme.

The IFA is represented on several UK Government committees and forums alongside other IFAC members, including the HMRC Agent Support Group, HMRC Compliance Reform Forum, HMRC Guidance Strategy Forum, HMRC Charter Stakeholder Group and Companies House Stakeholder group.

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General comments

1. We acknowledge that the objective of improving the timeliness of tax payments is understandable in principle, however we have concerns that the proposals, as they currently stand, raise significant practical concerns for taxpayers, agents and HMRC.

2. For context, the majority of IFA firms are sole practitioners or small entities who provide services to local small business.

3. While the principle of making tax payments timelier is understandable, implementing it through the existing PAYE system feels unnecessarily complex and risks creating confusion for both taxpayers and employers.

4. The impact on cash flow for taxpayers, the additional administrative burden, the increased complexity for those with fluctuating incomes, and whether HMRC's systems and support are genuinely ready to deliver these changes effectively will be of great concern to IFA members and their clients.

5. Should the proposed changes be implemented, we would emphasise the importance of ensuring that any reforms are proportionate, properly tested and introduced only when taxpayers and agents have sufficient time and support to adapt.

Responses to consultation questions

ITSA payments through PAYE

Q1: What are the benefits of the proposed approach, or are there alternative suggestions that would achieve the same policy objective?

6. We agree that the time delay between income earned and tax being payable can cause material cash flow problems and this proposal would, to some extent, help alleviate budgeting and cash flow challenges.

7. We acknowledge that the current Self-Assessment or Corporation Tax payment systems do not do enough to bridge the gap between earning income and paying the associated tax. Human nature means that many individuals and business owners see the money arriving in their bank account as available to spend, regardless of whether a proportion of it is ultimately due to HMRC. This is not necessarily a lack of willingness to pay tax, it's simply how many people manage cash flow.

8. Some taxpayers would welcome paying the forecast tax in monthly instalments to ease cash flow concerns at year ends.

9. It is not clear what the impact may be for taxpayers having to make ITSA payments via PAYE as this would, to some extent, be dependent on the level of income earned in employment against that earned in self-employment.

10. If regular payments are introduced for ITSA-only taxpayers, they could benefit most, as all of their tax is currently paid through payments on account and a balancing payment.

Q2: What are the challenges of the proposed approach, or are there alternative suggestions that would achieve the same policy objective?

11. We foresee the biggest practical issues with any move towards timelier payments being the transition period. As we saw when Payments on Account were introduced, the first year often creates a substantial "catch-up" payment that can be extremely difficult for taxpayers to fund. Many otherwise compliant taxpayers simply do not have the cash reserves to meet two periods of tax in quick succession, particularly in sectors with seasonal or unpredictable income.

12. It would be imperative to ensure that when such changes are made, they are proportionate, properly tested and introduced only when taxpayers and agents have sufficient time and support to adapt.

13. Members have also commented on concerns regarding the ability of HMRC to provide accurate and timely PAYE tax codes which could cause additional problems.

Q3: Should the government use, or give the option to use, anything else (for example, MTD quarterly updates and in the future, reputable third-party data) to inform the forecasting approach for this change?

14. One suggestion from IFA firms would be to consider something similar to the CIS scheme.

15. The success of PAYE and CIS demonstrates this well. Employees and subcontractors rarely miss money that they never physically receive because the tax has already been deducted before payment reaches them. In that respect, some form of monthly withholding system for the self-employed could potentially be effective. However, we fully appreciate the scale of the administrative challenge this would present, particularly where businesses have multiple income sources, fluctuating profits, losses, or complex trading arrangements. Introducing such a system would require significant investment and careful design to avoid creating an even greater compliance burden

Q4: What other safeguards should the government consider?

16. We feel the current 50% cap on the amount of tax that can be collected through PAYE in any pay period would still appear to be appropriate.

17. HMRC should consider taxpayers with seasonal incomes and ensure forecasting is appropriate.

Q5: Which groups of taxpayers would find a different threshold helpful?

18. Particular regard should be given to taxpayers with fluctuating or seasonal incomes and those with multiple sources of income, such as employment, self-employment, property income, and dividends. These taxpayers already receive frequent tax code changes which many struggle to understand. Adding Self-Assessment liabilities into the mix risks making tax codes even more confusing.

19. Other taxpayers that may find a different threshold helpful would include lower income earners, employees with student loan deductions and employees with attachment of earnings and deductions other than tax & NI.

Q6: Do employers and other payroll operators need additional safeguards for these changes?

20. If HMRC starts collecting employees' Self-Assessment tax liabilities through PAYE deductions, employers may have to remit larger PAYE amounts to HMRC more frequently. For smaller employers, this could affect their own cashflow.

Q7: What support or guidance might employers benefit from?

21. Providers of payroll services will need clear timely guidance that covers small practitioners as well as the larger firms alongside as much lead-in time as possible.

Q8: Are there other impacts for payroll operators that the government should consider?

22. Covered in our answer to Q7.

Q9: What options should the government consider to support taxpayers who might move in and out of paying their ITSA liabilities via PAYE?

23. HMRC should provide clear advance notifications when a taxpayer is due to move into or out of the PAYE collection process, together with straightforward guidance explaining the implications and any action required. Agents should receive the same notifications to enable them to support their clients effectively.

24. HMRC should also consider maintaining PAYE tax codes so that the taxpayer can plan the cashflow better and sort the over/underpayment on the tax return at the end of the year.

25. We suggest HMRC should avoid switching taxpayers between PAYE and Self-Assessment too often as once someone is in one system, it would make sense to leave them there for a couple of years unless they ask to change. It would make budgeting easier and reduce unnecessary tax code changes.

Potential reform of Payments on Account

Q10: What potential approach, including frequency of payments, would be most appropriate to achieve the policy objective, taking account of different taxpayer circumstances?

26. We would suggest monthly payments as this would be in-line with the proposals consulted on earlier. This would allow practitioners to work consistently would appear to be more equitable.

Q11: What could the impact of more frequent payments be on taxpayers?

27. This would help to reduce of 'bill shock' and help manage cash flows. It may also help reduce the number of late payments and associated penalties.

28. Although monthly payments could help with budgeting, they would also create more work for accountants. Clients will naturally want more support with forecasts, cash flow, and changing estimates, which is likely to increase compliance costs for small businesses.

Q12: If these changes were introduced, what additional measures could the government consider to support taxpayers when their Self-Assessment income changes during the year?

29. We agree that the current system allowing taxpayers to contact HMRC to request a change to their POA amount, where it no longer reflects their liability, and this capability should continue to be important under any future reforms.

30. In certain circumstances HMRC should consider allowing the taxpayer to amend or cease the POA to ensure that taxpayer does not suffer cashflow which could affect their lifestyle.

31. HMRC should allow taxpayers or their agents to amend estimated liabilities through an online digital service, with changes reflected promptly in future payment calculations. This would reduce unnecessary overpayments while maintaining the objective of timely tax collection.

32. Taxpayers and agents should be able to update estimated liabilities quickly and easily through both HMRC and commercial software. The process needs to be straightforward because many businesses have genuine fluctuations in income throughout the year.

Q13: How else might the government support taxpayers to manage more regular payments?

33. Taxpayers would benefit from access to a dedicated digital payment dashboard showing estimated liabilities, payments made, expected future payments and any projected balancing payments or refunds.

34. We feel the emphasis should be on HMRC to encourage good behaviour rather than introduce tougher penalties. Flexible Direct Debits, payment reminders, and budgeting tools are more likely to improve compliance than adding further sanctions.

Q14: Which groups of taxpayers might require additional support to access or use payment management tools?

35. HMRC should ensure that digitally excluded taxpayers are provided with support and guidance to ensure that payment management tools are appropriate to their circumstances.

Issues affecting both taxpayers with and without PAYE income

Q15: How might the government best support taxpayers to manage the transitional period?

36. While we support the notion of spreading the tax liability relating to the previous tax year over 4, 6 or 12 months, we are cautious about adding further complexity to the tax system. HMRC should also adopt a light-touch approach during the initial implementation period. Where taxpayers have made genuine attempts to comply with the new rules, penalties should be applied only where there has been deliberate or repeated non-compliance.

Q16: Would the option to make voluntary pre-payments, ahead of implementation, be helpful?

37. We believe the option to make voluntary pre-payments ahead of implementation may be attractive to some taxpayers, however, others may not be keen to pay in advance due to individual circumstances.

Q17: If changes were made, what transition period would be most appropriate?

38. We believe a minimum of 1 year should be provided ahead of implementation which should be supported by exhaustive testing and guidance that is proportionate to the size of the taxpayer and its agent.

Q18: What other support would help ITSA taxpayers during the transition period?

39. HMRC should provide a comprehensive communications programme including webinars, practical examples, online calculators, detailed guidance and sector-specific case studies. Agents should have access to the same materials in advance to ensure consistent advice can be provided to taxpayers.

Q19: How might the government best support new or returning taxpayers to make timely payments, when they start earning ITSA income?

40. New and returning taxpayers should receive clear guidance as soon as they register for Self-Assessment, explaining when payments will be due, how estimates will be calculated and the options available for making regular payments.

Q20: How might estimating appropriate liability for new or returning ITSA taxpayers be achieved?

41. Taxpayers should be able to revise estimates easily during the year where actual income differs significantly, helping to minimise both underpayments and unnecessary overpayments.

42. Forecasting in the first year of trading is never easy. HMRC should recognise that new businesses often have unpredictable income and allow sensible estimates without penalising taxpayers who have acted reasonably.

Q21: What could be the impact of reducing the POA threshold, or are there alternative ways to support taxpayers below the current threshold to achieve the timely payment objectives?

43. A lower threshold would bring many more taxpayers into the Payments on Account regime, increasing administrative burdens for HMRC, agents and taxpayers while generating relatively small amounts of additional tax collected earlier. The existing threshold remains an appropriate balance between efficient tax collection and proportionate administration.

Q22: In what circumstances could the government consider offering taxpayers with PAYE and ITSA income the choice between making ITSA payments through PAYE, or direct ITSA POAs, such as via Direct Debit?

44. We believe it would be appropriate to retain the £1,000 threshold as, if reduced, may create additional administrative work with little reward. We are not convinced that any deduction would result in any material benefits.

45. An alternative suggestion could be to apply a threshold for POA at £2,000 and make the POA in quarterly payments rather that half yearly, this way the cash budgeted gets easier for the taxpayer.

Q23: What would agents find useful to enable them to carry out their role effectively under the announced changes or possible reforms?

46. Agents need to be at the forefront of the proposed changes and take an active part in developing guidance as well as being involved in any testing. This should reflect the size and scope of agents and be conducted alongside stakeholder engagement with professional bodies.

47. HMRC systems must be fully tested before implementation and supported by reliable digital services.

48. Agents should have access to the same real-time information as taxpayers, together with sufficient authority to amend estimates and resolve issues quickly. Appropriate dedicated agent telephone support should be provided by competent, well-trained staff.

Q24: What support or guidance might be most effective for taxpayers with particular challenges and needs?

49. HMRC should ensure digitally excluded taxpayers are included in developing guidance.

50. HMRC should ensure appropriate dedicated telephone support is provided by competent, well-trained staff.

51. Guidance should be written in plain English and supported by practical examples reflecting common taxpayer circumstances.

Q25: What extra support or guidance might taxpayers who qualify for financial support from the government (such as Universal Credit) need?

52. Care should be taken to ensure that more frequent tax payments do not create unintended consequences for taxpayers receiving Universal Credit or other means-tested benefits with advice provided according to their needs.

53. HMRC should work closely with the Department for Work and Pensions to ensure consistent guidance and minimise any adverse interactions between the tax and benefits systems.

Q26: What support or guidance might be most effective for tax agents?

54. Professional bodies should continue to play a central role in communicating changes and providing feedback throughout implementation. HMRC should also engage directly with agents through conferences, webinars and local branch networking events.

55. Providing agents with access to a dedicated HMRC technical support team would be a big help to agents and save a lot of time and effort when trying to support clients to get their tax affairs correct.

Q27: Are there are any additional comments you would like to make regarding the ‘timely payments in ITSA’ announced changes and possible reforms?

56. Reforms must be proportionate, simple to understand and fully supported by robust HMRC systems.

57. Successful implementation will depend on extensive testing, meaningful engagement with professional bodies and agents, and a realistic transition period that allows taxpayers sufficient time to adapt.

58. Most clients don't mind paying tax if they understand what they owe and can plan for it. Over the last few years, we've had Making Tax Digital, Companies House changes and plenty of other reforms. Before introducing another major change, HMRC needs to be confident it genuinely simplifies things rather than moving more work onto taxpayers, employers, and agents.

59. Success shouldn't just be measured by collecting tax earlier. It should also be judged on whether it's easier to understand, reduces late payments and doesn't create unnecessary extra work for everyone involved.

Contact details

Should you wish to discuss this response further, please contact Tim Pinkney, IFA Director of Professional Standards, by email at timp@ifa.org.uk.