

— SELF ASSESSMENT · CASH-FLOW SHOCK

Why Your First Tax Bill Is **1.5x** Bigger Than You Expect

The first time your Self Assessment bill tops £1,000, HMRC asks you to pay it and to pay towards next year at the same time. Here is exactly why the 31 January bill lands bigger than you planned, and how to budget for it.

TRIGGERED ABOVE

£1_k

EACH PAYMENT

50%

PAYMENT DATES

2_{/yr}

• [START HERE](#)

The answer first, then the detail

The first time your Self Assessment bill comes to more than £1,000, HMRC asks you to pay that bill and to make a payment towards next year on the same day. That is why your 31 January bill can be around 1.5 times what you were expecting. This is called a payment on account, and nobody warns you about it. We just did.

At a glance, the numbers that drive the shock

| TRIGGER | EACH PAYMENT | FIRST JANUARY | DUE DATES |
|----------------------------|----------------------------------|-------------------------|-----------------------|
| £1k | 50% | 1.5x | 31 |
| Bill over this, you are in | Usually half of last year's bill | Bill plus first payment | Jan and Jul each year |

What this guide covers

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💡 THE ONE-LINE VERSION
A payment on account is not an extra tax. It is HMRC asking you to pay next year's tax in advance, in two instalments. **Once you are through the first year, the bills even out.** The pain is the first January, when you pay a full year plus half of the next.

🕒 What you'll need **ABOUT 10 MINUTES**

- 🕒 Your latest Self Assessment calculation** (the SA302 or your tax return summary)
- 🕒 Last year's tax bill figure**, so you can work out each payment on account
- 🕒 A note of any tax already taken at source**, through PAYE or CIS deductions

01 THE MECHANICS

How payments on account work

Payments on account are advance payments towards your next tax bill. You make two of them a year. Whether they apply to you comes down to two simple tests.

You have to make payments on account **unless** one of two things is true. If neither gets you off the hook, you are in the system, and you make two payments each year on top of settling the year just gone.

✓ The two tests that decide if they apply

| YOU ARE EXEMPT IF | THE THRESHOLD | OTHERWISE |
|-------------------------------------|--|---------------------------|
| Your last bill was small | The tax you owed last year was less than £1,000 | You pay on account |
| Most tax was taken at source | You paid more than 80% of last year's tax outside Self Assessment, for example through PAYE | You pay on account |

Source: GOV.UK, Understand your Self Assessment tax bill, Payments on account. Both tests use last year's figures. Fail both, and payments on account apply.

📅 The two payments and when they fall due

| PAYMENT | HOW MUCH | DUE BY MIDNIGHT ON |
|----------------------------------|---|------------------------------------|
| First payment on account | Usually half of last year's tax bill | 31 January |
| Second payment on account | Usually the other half of last year's bill | 31 July |
| Balancing payment | Any tax still owed for the year, once both payments on account are deducted | 31 January (following year) |

Source: GOV.UK, Understand your Self Assessment tax bill. Each payment on account is usually half of the tax you owed last year.



THE DEADLINE THAT BITES IS 31 JANUARY

On the same 31 January you settle the tax for the year just ended **and** make the first payment on account towards the year ahead. That is the day the bill looks far bigger than the tax you thought you owed.

02 SEE IT IN NUMBERS

The shock, in pounds and pence

Here is the moment the cash-flow surprise happens. Take a first Self Assessment bill of £3,000. Because it is over £1,000, payments on account kick in, and your 31 January total is half as much again.


|  Your first 31 January, on a £3,000 bill | |
|--|-----------------|
| Tax due for the year just ended | £3,000 |
| First payment on account (50% of £3,000) towards next year | + £1,500 |
| Total due by 31 January (the 1.5x) | £4,500 |

You expected to pay £3,000, the tax on the year you have just been taxed on. You are asked for £4,500, because half of next year's estimated tax is bundled in. Same income, but the bill is 1.5 times what you budgeted for.

How the rest of the year then plays out

| DATE | WHAT YOU PAY | AMOUNT |
|------------------------|--|----------------------|
| 31 January | £3,000 bill, plus the first payment on account | £4,500 |
| 31 July | The second payment on account towards next year | £1,500 |
| Next 31 January | You settle the balance for the year, then pay the first payment on account again | Balance + 50% |

Illustrative, based on the GOV.UK worked example. The two £1,500 payments on account are credited against next year's actual tax, so you only ever top up the difference.

 **IT IS NOT EXTRA TAX, IT IS TIMING**

Every payment on account is money off next year's bill. **Once you are through that first January, your tax simply arrives in two predictable instalments.** The shock is a one-off, and it is entirely avoidable if someone warns you a year ahead.

03 STAY IN CONTROL

How to manage it, and reduce it safely

You cannot opt out of payments on account, but you can plan for them, and in some cases reduce them. The trick is to budget from day one and only reduce when you are confident.

Budget for it from the start

Set aside tax as you earn, not in January. A simple rule is to move a fixed share of every payment you receive into a separate savings pot. When the bigger first bill lands, the cash is already there and the 1.5x is just a number, not a crisis.

Reduce them if your income has fallen

If you expect to earn less this year, you can apply to reduce your payments on account, online or by post using **form SA303**. You tell HMRC the amount you expect to owe, and the payments are cut to match.



REDUCE TOO FAR AND HMRC CHARGES INTEREST

If you cut your payments on account and your actual bill turns out higher, HMRC charges **interest on the difference**, currently at the Bank of England base rate plus 4 percent (7.75% from 9 January 2026). Only reduce when you are genuinely confident income has dropped, and never as a way to delay paying.

| YOUR SITUATION | WHAT TO DO | WATCH OUT FOR |
|----------------------------------|---|----------------------------------|
| Income is steady | Leave the payments as they are and budget for them | The first January is the big one |
| Income has clearly fallen | Apply to reduce, online or on form SA303 | Over-reducing triggers interest |
| Income has risen | Set aside extra, the balancing payment will be larger | A bigger bill next January |
| Cash is tight in January | Ask HMRC about a Time to Pay arrangement | Interest still applies |

Source: GOV.UK, Understand your Self Assessment tax bill and Pay your Self Assessment tax bill. SA303 is the form to reduce payments on account.



THIS IS EXACTLY WHAT A GOOD ACCOUNTANT Warns YOU ABOUT

A year before your first big January, an accountant can tell you the bill is coming, work out the payments on account, set your savings target, and decide whether to reduce. **The shock only happens when nobody plans ahead.** That is the difference between filing your tax and being looked after.

04 WORK IT THROUGH

Your payments on account planning checklist

Print this page. Work through it once a year, soon after you know your tax bill, so the bigger first January never takes you by surprise.

Work out where you stand

- Check whether your **last bill was over £1,000** TRIGGER
- Check whether **more than 80%** of your tax was taken at source
- Confirm **payments on account apply** to you this year
- Find **half of last year's bill**, this is usually each payment on account
- Estimate **this year's tax** so you know the balancing payment

Mark the dates

- Diarise **31 January**: bill plus first payment on account THE BIG ONE
- Diarise **31 July**: second payment on account
- Diarise **next 31 January**: balance plus the next first payment
- Set a reminder to **file early**, so you know the figure in good time

Budget for the bill

- Open a **separate tax savings pot**, away from spending money HIGH VALUE
- Move a **fixed share of every payment** you receive into it
- Target the **1.5x first January figure**, not just one year's tax
- Top up before **31 July** for the second payment on account

Decisions and records

- If income has clearly fallen, consider **form SA303** to reduce CARE
- Do **not over-reduce**, HMRC charges interest on the shortfall
- If cash is tight, ask HMRC about a **Time to Pay** arrangement
- Keep your **tax calculation and SA302** with this checklist
- Book a **review with your accountant** a year ahead of the first bill



GET AHEAD OF THE FIRST JANUARY

The single best move is to know your number early. Work out half of last year's bill (usually each payment on account), add it to this year's estimate, and save towards that total from now. The reader who plans never feels the 1.5x.



— FREE SELF ASSESSMENT REVIEW

Never be surprised by a **tax bill** again

Book a free, no-obligation Self Assessment review and a CIMA-qualified accountant will work out your payments on account, set your savings target, and tell you in plain English what to expect, a year before it lands.

- ✓ A clear figure for your next 31 January, payments on account included
- ✓ A plain-English steer on whether you can safely reduce, and how
- ✓ A simple savings plan so the bigger first bill is money already set aside

HD Reviewed by **Harvey Dhillon**, ACMA CGMA

 Reviewed by a **CIMA-qualified** accountant (ACMA, CGMA)

★★★★★ 4.9 on Google · 56 reviews



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