

## 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. HMRC might:

- apply to the magistrates' court if your arrears are £3,000 or under. The court will send you a **summons** telling you where and when to go to court. The court will usually order you to pay the arrears and costs. If you pay before the hearing, no further action will be taken against you. If you disagree with the amount of the arrears, it is important you contact HMRC before the hearing because the magistrates cannot consider any dispute about the amount
- come to your home to **take away your belongings** and sell them to raise money for the arrears. HMRC officers are not allowed to force their way into your home but if they can't get in without force, they may apply to the magistrates' court for a warrant which will allow them to break in. This is very unusual
- make a claim in the **county court** against you. If you don't pay, this will make it difficult for you to get credit in the future and also they can then take further steps against you, so you could end up losing your family home
- issue a **statutory demand** if you've been in arrears for some time and owe £750 or more. This is the first stage of **making you bankrupt**. If you're made bankrupt, you can lose your family 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 arrears are the result of official error or delay, HMRC may write off the arrears
- 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 (up to six years for some taxpayers).

Sometimes, HMRC will put off taking action against you while you see whether you can claim for back-dated reliefs and allowances.

- 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.

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 specialist organisations listed under Further help 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 could 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 and 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
- 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 for 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 may allow you to pay over a period of weeks or months or sometimes longer
- if you're in poor health, disabled or elderly, you should point this out to HMRC as you may be treated more sympathetically
- 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 your tax office or the HMRC Self Assessment Payment Helpline on 0845 366 1204.

## Further help

### Citizens Advice Bureaux

Citizens Advice Bureaux give free, confidential, impartial and independent advice to help you solve problems. To find your nearest CAB, including those that give advice by e-mail, click on [nearest CAB](#), or look under C in your phone book.

### HMRC Enquiry Centres

You can get free advice and help with tax matters from an HMRC Enquiry Centre. You can find your local Enquiry centre on the HMRC website at: [www.hmrc.gov.uk](http://www.hmrc.gov.uk) You'll need to make an appointment first.

### Taxaid

If you're on a low income, you may be able to get advice from **TaxAid**. You can contact the TaxAid helpline on 0845 120 3779, They produce a helpful booklet Called 'Tax debt? Can't afford to pay?' which you can download from their website at [www.taxaid.org.uk](http://www.taxaid.org.uk).

### TaxHelp for Older People

If you're over 60, on a low income and have a tax query, you can phone the TaxHelp for Older People helpline on 0845 601 3321, or look on their website at: [www.taxvol.org.uk](http://www.taxvol.org.uk).

### Other information on Adviceguide which might help

- Help with debt
- Dealing with people you owe money to
- Budget sheet
- How county court judgments affect your credit rating
- Bankruptcy
- Sample debt letters

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This fact sheet was last updated on 22 July 2011, and is reviewed regularly. If it is some time since you obtained this fact sheet, please contact your local Citizens Advice Bureau to check if it is still correct. Or visit our website - [www.adviceguide.org.uk](http://www.adviceguide.org.uk) - where you can download an up-to-date copy.