Timely Payments in Income Tax Self-Assessment (ITSA).

Open consultation issued by HM Revenue & Customs

Comments from ACCA to HMRC

4 August 2026

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Founded in 1904 to widen access to the accountancy profession, we have long championed inclusion and today proudly support a diverse community of over 257,900 members and 530,100 future members in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators, and other accountancy bodies, we are strengthening and building a profession that drives a sustainable future for all. Find out more at: www.accaglobal.com.

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General Comments

ACCA welcomes the opportunity to respond to the consultation issued by HMRC on implementing more timely payment in Income Tax Self-Assessment (ITSA). Our response is informed by insights obtained from a cross section of ACCA UK members. Given the magnitude of the changes, ACCA would have anticipated the proposals to be more developed by this point. However, there is little to indicate that this has taken place. Similar to feedback on proposals to mandate reporting of transactions between close companies and their participators, ACCA considers the proposals profoundly disconnected from business reality.[1]

We encourage HMRC to think more holistically about the overarching rationale. Do the proposals embody simplicity, certainty, and stability, the three cornerstones of an effective tax system?[2] The same principle applies to the many unanswered questions and different scenarios. For example, do they reduce administrative complexity for taxpayers and agents? How do they contribute to reducing the perceived tax gap? What about the cash flow impacts on small businesses, particularly those at the early stages of development? The same applies to businesses that use employment income until they are further developed.

If HMRC's objective is to support taxpayers in better managing their ITSA liabilities, ACCA believes greater value can be realised by enhancing the voluntary payment regimes already in place. There are also other cost-effective mechanisms capable of achieving the desired outcome. Given viable alternatives exist, ACCA is most concerned about the administrative burdens that will inevitably arise from creating a system that seeks to cater for all taxpayers. Alongside responses to specific questions, ACCA supplies the following recommendations:

- **Remedy disproportionate impacts:** Fluctuations in profits make forecasting inherently problematic. ACCA envisages the proposals disproportionately affecting the agricultural, retail, hospitality, and construction sectors. We see elevated risk of potential overpayments or underpayments.
- **Flexible budgeting option:** Instead of creating a new system based on flawed forecasting, ACCA recommends a flexible budgeting option. This could be linked to Self-Assessment (SA) accounts and pay a commercial rate of interest. We see this as more effective use of HMRC's limited resources.

[1] ACCA to HMRC (2026), *Reporting company payments to participators,* available here.
[2] ACCA policy and insights (2020), *Foundations for a Sound Tax System: Simplicity, Certainty, Stability,* available here.

- **Safeguarding taxpayer fairness:** ACCA questions the fairness of treating a group of taxpayers differently on account of receiving employment income.[3] We query the practicality of HMRC accounting for multiple streams of income and, similarly, whether it will result in HMRC issuing multiple tax code updates.
- **Transition arrangements:** ACCA recommends consideration of other transition arrangements, including basis period reform for barristers. HMRC should scrutinise their effectiveness and explore ways in which they might be replicated.
- **Taxpayer confidentiality:** Collection of ITSA through PAYE raises significant confidentiality concerns. Regardless of whether an employee wants the information shared, the proposals give employers far more insight into an employee's personal financial situation.

[3] ACCA policy and insights (2023), *Twelve tenets of tax,* available here.

Consultation Questions

ITSA payments through PAYE

Question 1: What are the benefits of the proposed approach, or are there alternative suggestions that would achieve the same policy objective?

In principle, ACCA sees merit in giving taxpayers the opportunity to pay monthly. Based on insights gathered from members, the proposed approach can benefit taxpayers with stable and predictable earnings. The same applies to greater alignment between tax payments and when income is earned, particularly taxpayers wanting to avoid large balancing payments. However, as ACCA sets out in responses to following questions, the risks and drawback outweigh potential benefits.

They key challenge for HMRC is to effectively cater for all taxpayers. The consultation document states that around 12 million people current file an SA return. Further, of the 7 million taxpayers with both ITSA and PAYE income, approximately 2.1 million have sufficient PAYE income to fall within scope of the new proposals. Yet ACCA highlights the inevitable fluctuations to this group, which would comprise of micro, medium, and some larger entities. We observe challenges where employment income fluctuates in addition to business or landlord profits.

Question 2: What are the challenges of the proposed approach, or are there alternative suggestions that would achieve the same policy objective?

The challenge for HMRC is introducing a one-size fits model that caters to a fluctuating cohort of 2.1 million taxpayers. The difficulty with including employment income is that it comprises a wide range of businesses sizes and types. The ambiguity opens the door to a range of potential scenarios and interpretations. ACCA provides the example of subcontractor with a mix employment and self-employment and, similarly, the entrepreneur who has a company, employment, and an unincorporated business. In our view, the critical question is how multiple streams of income are accounted for.

Insights from members consistently highlight the impact on sectors with seasonal income. Those sectors include retail, hospitality, construction, and agriculture. In the context of a UK farmer's crop yield, it is virtually impossible to determine current income before harvest is completed (the timing of which often varies). Landlords facing unexpected repair costs which materially affect taxable profit. Even with a monthly/quarterly reporting and paying system an annual reconciliation would still be needed.

We also note the impacts on those with irregular and unpredictable sources of income. For this cohort of ITSA taxpayers, such fluctuations can be exacerbated by the cashflow challenges of late-paying clients. Those include freelance artists, musicians, authors, copyeditors, event managers, and consultants across a myriad of different industries.

Once compulsory, and models carry the threat of penalties or interest for non-compliance, the scope for injustice arises. ACCA sees two options available to HMRC. The first is identifying all the circumstances where compliance would be unduly burdensome or impracticable. The corresponding mechanisms to mitigate such impacts is equally as important. The second is HMRC going back to the drawing board and producing alternative proposals.

Impact on PAYE

Based on insights gathered from members, many cite the increasing number of taxpayers who would hit the 50% PAYE cap on PAYE. The freezing of allowances and, similarly, increases in state pensions, is observed as leading to increasing number of taxpayers having insufficient PAYE income to pay tax on PAYE. This is owing to state pension is not paid through PAYE but is in effect taxed through PAYE by adjusting the PAYE code.

Confidentiality

Collecting ITSA through PAYE also results in a confidentiality issue; their employer knows the tax code means the employee has other income. ACCA believes it is not unreasonable to assume many employers may not wish to know this information. There are also the unintended consequences of shifting the employer and employee dynamic. For instance, it could see the introduction of tax policy influencing employer decisions, such as salary increases or career progression.

Question 3: 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?

ACCA notes that 6 April 2028 is the most recently announced entry date for MTD ITSA, covering taxpayers with qualifying income of £20,000 or more.[4] For these taxpayers, their first filing deadline is 31 January 2029. ACCA queries the reliability of utilising MTD data at this early stage. This is because many will be navigating MTD requirements and supporting software for the first time. We see merit in a two-year adjustment period, with 2031 the point at which HMRC reviews the reliability of filing. Until then, ACCA recommends that taxpayers (and their agents) forecast their own income and reduce tax payments, exactly as exists at present.

[4] HMRC Guidance (26 March 2026), *Find out if and when you need to use Making Tax Digital for Income Tax,* available here

Question 4: What other safeguards should the government consider?

ACCA notes only safeguard proposed in the consultation document is 50% PAYE income. ACCA views the figure as high, given it is unclear how these would interact with other deductions made through payroll. This includes, by way of example, student loans.

Question 5: Which groups of taxpayers would find a different threshold helpful?

We view the proposals' disproportionate impacts to be indicative of where hardship will likely arise. In turn, we question the rationale of a policy that, already at this early stage, is eliciting stakeholder feedback on thresholds and the number of opt outs required. ACCA regards such discussions as difficult to reconcile with HMRC's own simplification measures.

Question 6: Do employers and other payroll operators need additional safeguards for these changes?

HMRC should be mindful of the payroll impacts. ACCA believes smaller employers may face additional payroll complexity, alongside higher administrative costs, and employee queries. Our members also draw attention to greater risk of payroll errors, especially when estimates change during the year. For company directors with PAYE income, ACCA notes situations where HMRC may collect the tax through the PAYE code.[5] With that in mind, HMRC could replicate the approach and adjust tax codes for any self-employed tax due through PAYE.

Notice of Coding Regime

The current notice of coding regime results in considerable taxpayer confusion, taxpayer, HMRC and Agent time being incurred to resolve simple corrections, notices being issued by HMRC with wrong or incomplete information. The introduction of self-employment deductions to a system that already produces poor outcomes for many is not welcomed. ACCA envisage cases where employers and payroll providers spend considerable time with employees sorting issues and concerns which have little to do with the business apart from tax collection.

We also note part of the logic behind coding notices, which was to avoid the risks inherent in flagging to employers which of their employees have significant external income. In turn, ACCA queries how HMRC intends to manage such a process without compromising taxpayer confidentiality.

Question 7: What support or guidance might employers' benefit from?

While ACCA welcomes the value of practical guidance, updates to existing technology has the greatest potential. From conversations with wide cross section of members, ACCA estimates

[5] HMRC internal manual (2026*), PAYE Manual,* available here.

that for an agent handling 500 payrolls, three hours is spent per pay period waiting for PAYE codes to download. However, a changing volume of 2.7 million would be challenging and expensive for all to manage.

Question 8: Are there other impacts for payroll operators that the government should consider?

Recent UK benefits system changes impact software, payroll providers, and employers. With the system in a transitional state, ACCA questions the merit of pursuing further changes at this time.

Question 9: What options should the government consider supporting taxpayers who might move in and out of paying their ITSA liabilities via PAYE?

Notwithstanding ACCA considering the proposals as likely increasing the compliance burden on businesses, we would welcome further information on transitional arrangements. Basis period reform for barristers, particularly the 2023/24 transition, provide a useful starting point for easement of the impact. Relevant components include treatment of transition profits, which ACCA notes were automatically spread equally over five tax years. However, we observe that these types of transitional arrangements also increase complexity, the possibility for error, and can be challenging for taxpayers to manage. The overall cost of implementation is another key factor.

Potential reform of Payments on Account

Question 10: What potential approach, including frequency of payments, would be most appropriate to achieve the policy objective, taking account of different taxpayer circumstances?

With Payments of Accounts taking place in January and July, ACCA believes it makes more sense to utilise the voluntary payment regime that already exists.

Question 11: What could the impact of more frequent payments be on taxpayers?

From ACCA's engagement on the issue, many taxpayers would welcome budgeting support for future tax payments. Yet cashflow especially during any transitional arrangement and increased tax hit during transition or new startups could have a significant impact on business cashflow.

Concurrently, ACCA envisages proposed policy will find it challenging to understand their tax position with the combination of payments for different types of income. Clarity is also needed on self-employment deductions. This is particularly relevant when deductions are made from an employees' pay but fails to pay those amounts over. ACCA would be concerned about the cascading effects in time and cost, including for the government.

Question 12: If these changes were introduced, what additional measures could the government consider supporting taxpayers when their Self-Assessment income changes during the year?

A common theme raised by members is the cumbersome nature of existing processes. As it stands, agents must complete an online form that HMRC can take several days to action. As trusted advisors to business, ACCA believes that agents should be able to alter and reallocate payments when incorrectly made. It can promote improvements to overall efficiency, together with reducing the margin for error.

Question 13: How else might the government support taxpayers to manage more regular payments?

In theory, transitioning to variable direct debit can promote more regular payments by taxpayers. This could bring about improvements to the current system, which ACCA members often describe as overly onerous. Yet, in practical terms, we question the position of tax repayments within the proposed regime. Absent detail on how arrangements might operate in practice, ACCA views this as an area where taxpayers could face significant delays and cost in accessing overpayments made to government.

Question 14: Which groups of taxpayers might require additional support to access or use payment management tools?

Feedback from ACCA members indicate that the proposals (in their current form) stand to substantially increase the volume of client interaction and compliance work. Potential issues include frequency of reviews into forecasts and estimated liabilities, together with disputes over estimated figures. We see merit in extending agent authorisation arrangements to setting up variable direct debits for taxpayers.

Issues affecting both taxpayers with and without PAYE income

Question 15: How might the government best support taxpayers to manage the transitional period?

A consistent theme in feedback that ACCA has received is the need to avoid double payment. This is where taxpayers fund historic liabilities and new in-year payments simultaneously. It reinforces the importance of phased implementation. HMRC should look to the effectiveness of recent basis period reform for barristers, especially the 2023/24 transition to the new tax system. For barristers whose accounting year did not end on 31 March or 5 April, standard profits were taxed as normal under the old current year basis. Transition profits were also used to achieve alignment, automatically spread equally over five tax years. We would be interested to learn whether the arrangements achieved their stated goal.

Question 16: Would the option to make voluntary pre-payments, ahead of implementation, be helpful?

ACCA reiterates the point that that systems already exist which provide taxpayers the option for voluntary payments.

Question 17: If changes were made, what transition period would be most appropriate?

As outlined in response to Question 15, HMRC should consider the effectiveness of transition arrangements used in recent basis period reform for barristers. The key challenge is accurately accounting for their cost, so too their interaction with other rules. Should proposals proceed in their current form, that meaningful easement is needed to aid cashflow. ACCA would consider meaningful time period to be a full parliamentary term/5 years.

Question 18: What other support would help ITSA taxpayers during the transition period?

ACCA notes the importance of HMRC equipping staff with the knowledge base to handle requests from agents and taxpayers. This includes committing additional resources to HMRC helplines, ensuring staff understand the wide range of likely problem cases.

Question 19: How might the government best support new or returning taxpayers to make timely payments, when they start earning ITSA income?

As outlined in response to Question 17, HMRC should consider transition arrangements used in recent basis period reform for barristers.

Question 20: How might estimating appropriate liability for new or returning ITSA taxpayers be achieved?

ACCA queries the practicality of estimating appropriate liability in the ITSA area. The is due to the small size of the sums involved, together with the tendency for incorporated and incorporated small businesses to get their tax wrong (even with the benefit of information for the full year). HMRC acknowledges these points in its Measuring tax gaps publication.[6] The byproduct is also creating unnecessary administrative burden.

Question 21: 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?

If Payments on Accounts (PoA) switches to monthly, ACCA raises HMRC review of the £1,000 threshold. The threshold has remained fixed since the Self-Assessment system was introduced for the 1996-97 tax year. ACCA observes that due to fluctuations in profit, taxpayers often move in and out of the regime. Since the liability is based on the previous year, not the year current, many taxpayers will find that they have either paid too much or too little. In theory, monthly

[6] HMRC (2026), *Measuring tax gaps 2026 edition: tax gap estimates for 2024 to 2025*, available here.

payments would spread liability out over the year, meaning the amount involved is closer aligned to current-year income.

Question 22: 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?

Given the current payment options in place, ACCA questions whether additional options stand to promote take-up. That said, we agree with the underlying principle of taxpayers having the freedom to choose. Rather than a default position. ACCA maintains that informing employers of external sources of income should pursued as a measure of last resort.

Question 23: What would agents find useful to enable them to carry out their role effectively under the announced changes or possible reforms?

ACCA believes that HMRC should concentrate on improvements that enhance agent useability and overall efficiency. This includes giving agents the ability to amend PoA directly, together with setting up variable direct debits for clients. Indeed, insights from members reveal a strong correlation between the latter and compliance levels. While ACCA acknowledges the broader agent access issue, we note the implications on professional indemnity cover. Therefore, discussion of such measures must be developed in conjunction with the insurance sector.

Question 24: What support or guidance might be most effective for taxpayers with particular challenges and needs?

As outlined in response to Question 23, ACCA encourages HMRC to focus on measures that stand to enhance agent useability.

Question 25: What extra support or guidance might taxpayers who qualify for financial support from the government (such as Universal Credit) need?

ACCA identifies situations where a developing business may require cashflow for dual purposes. That includes their own needs and that of the business. An individual might also take an employed position, ensuring regular income while they develop their business. While the consultation document provides examples of this nature, ACCA retains concerns about the compliance impacts. With the burden of accuracy placed on the individual, the risk of error may well impact taxpayers seeking government support (such as Universal Credit)

Question 26: What support or guidance might be most effective for tax agents?

Based insights from members, clear guidance should be prioritised covering access requirements, timeframes from HMRC for correction of errors, transitional rule options, and situations where an employer fails to meet proposed obligations. Agents would also value practical guidance surrounding repayment.

Question 27: Are there are any additional comments you would like to make regarding the 'timely payments in ITSA' announced changes and possible reforms?

Instant access savings account

Given the cost and complexity involved with creating a new system, ACCA posits whether a better use of HMRC resources is introducing a savings account type facility linked to Personal Tax Accounts (PTA). This would entail paying a commercial rate of interest, which taxpayers use to ensure they have adequate funds to settle their liabilities under existing rules. ACCA would envision the interest paid to taxpayers as non-taxable, utilising similar provisions found in Individual Savings Accounts (ISA). This separate, protected account could sit alongside voluntary tools that assist taxpayers (where possible to do so) in estimating their liabilities.

Design features

For those taxpayers whose income is inherently uneven, the option would be there to put money into the tax fund when they have it. in the event that expenses come due before clients have settled their invoices, taxpayers would be in a position to settle commercial liabilities without needing to try to trigger (by way of example) an official refund process.

To encourage uptake, ACCA sees value in exploring additional incentives. For taxpayers who have routinely maintained a net positive balance over the year, relaxed filing deadlines or interest on underpayments is one such example. ACCA stresses the importance of not discouraging taxpayers whose affairs, through no fault of their own, remain unpredictable.

Broader benefits

ACCA notes the broader benefits of a voluntary system that accommodates variants of PAYE/ITSA without numerous carveouts. Such sentiment is equally relevant to varying thresholds and transitional measures. Backed by supporting guidance and education materials, ACCA envisages the taxpayer population growing more attuned to the idea of budgeting through such a facility.