



# Our approach to debt collection



The overwhelming majority of taxpayers – more than 90 per cent – pay their taxes in full by the due date. For the small proportion of taxpayers who do not pay on time, we support those in genuine difficulty and actively pursue those who seek to avoid paying. This briefing explains what individuals and businesses should do if they cannot pay what they owe to us.

## Creating a level playing field

All taxpayers – whether they are individuals, small and medium-sized businesses or multinational companies – have to pay what they legitimately owe. It is unfair to the vast majority of taxpayers who do meet their obligations that others owe unpaid taxes to the Exchequer. This creates a shortfall in the amount of revenue available to fund investment in vital public services.

HMRC reduced the amount of money owed to the Exchequer from £22.5 billion in March 2010 to £15.1 billion by the end of March 2013. Currently, we are recovering 96.4 per cent of new debt\* within 90 days. We have achieved this by introducing an approach

more targeted at campaigns, gaining more insight about customer behaviour and using what we know to collect debt more effectively.

## Why some people are unable to pay what they owe

People are more likely to fall into debt with their tax payments when a life event occurs that temporarily affects their ability to meet their financial commitments, or when a business suffers an unexpected setback, such as a problem affecting staffing, stock, premises, or orders. Debt can also occur where an overpayment of tax credits is made; for example, following a change in personal circumstances. We do understand that paying a tax bill when it is due may sometimes be difficult.

## What we can do to help

Anyone experiencing financial difficulty or a change of personal circumstances that results in problems paying tax should speak to us immediately. Individuals or businesses that need longer to pay a current or future tax bill, or repay tax credit overpayments that have accrued, may be eligible for a 'Time to Pay' arrangement.

We are currently helping 650,000 people and businesses with Time to Pay arrangements worth more than £1.6 billion – an 11 per cent increase compared to last year\*\*. Time to Pay is an agreement between HMRC and a taxpayer that allows fixed repayments of a tax debt to be made over an agreed period. It can be considered for all types of tax debt.

While there is no automatic right to pay tax by instalments after the due date, if an individual or business is experiencing temporary financial difficulty and meets certain criteria, we can often help. Time to Pay should ideally be sought before the debt becomes due, although we can still discuss a possible arrangement after a due date. Where Time to Pay is agreed before the due date, any penalties that may have been applied after the due date will be avoided.

When we look at a request for Time to Pay, a number of criteria are considered, including the taxpayer's previous payment history and their plan for repayment, so we can be confident we will recover all payments due in full.

Once in place, the arrangement will be monitored to make sure that it is running smoothly. If an agreement is not kept to, other options may need to be considered by HMRC to collect the debt, such as enforcement action. People may also find that they are refused an arrangement in future.

We take our obligations towards vulnerable people very seriously. We want to help if we can and we will also liaise with an agent or representative on their behalf, with the taxpayer's or claimant's permission.

Enquiries about Time To Pay can be made by calling the number at the top of a payment demand notice, if one has been received, or by calling the payment plan helpline on: 0300 200 3835.

## People who refuse to pay

When people do not pay and will not talk to us, we respond swiftly and robustly. We have a strong track record of successfully collecting tax debt and have reduced unpaid debt by more than 40 per cent since 2009.

We achieved this by developing a more in-depth understanding of taxpayers and what motivates them,

so that we can design our debt collection activities accordingly. Our ability to draw information from a wide range of sources allows us to build profiles of taxpayers that we use to pursue each debt.

We use a variety of methods to pursue tax debts, starting with letters, telephone and SMS contact, both directly and via debt collection agencies. Then, if necessary, we can also send our own staff to visit people to collect what they owe. It must be remembered, however, that these activities, including the use of debt collection agencies, involve only a small minority of taxpayers each year.

For those who refuse to pay, penalties can be significant. Late payment penalties and interest charges can continue to accumulate on the debt until it is paid. From April 2014, we will be required to start charging fees whenever we have to take enforcement action, which could increase the size of the debt even further. The range of actions we may consider includes removing personal or business possessions to be auctioned, so that the funds raised can be used towards settling the debt, taking court action, or starting insolvency proceedings.

## People making payments

We've tried to make it as easy as possible for customers wishing to pay us. With such large volumes of payments being sent to us each day, we need customers to help make sure their payments reach the right accounts by using the correct reference number or payslip. Help can be found at: [www.hmrc.gov.uk/payinghmrc/referencechecker.htm](http://www.hmrc.gov.uk/payinghmrc/referencechecker.htm)

We also ask customers to check which payment method is most suitable for the type of tax being paid, at: [www.hmrc.gov.uk/payinghmrc/getright.htm](http://www.hmrc.gov.uk/payinghmrc/getright.htm)

Self Assessment taxpayers also have the option to pay their tax bills in advance by direct debit, using a budget plan payment. Paying in this way is voluntary and flexible and allows customers to make regular payments towards their future liability. More information is available at: <http://www.hmrc.gov.uk/payinghmrc/dd-intro/ndds.htm#6a> or from the payment plan helpline on: 0300 200 3822.

## To find out more

Visit our website at:

[www.hmrc.gov.uk/payinghmrc/problems/cantpay.htm](http://www.hmrc.gov.uk/payinghmrc/problems/cantpay.htm)

\* New Self Assessment, PAYE, and Corporation Tax debt cleared within 90 days

\*\* Time to Pay numbers – comparing 2012-13 to 2011-12