Equity Submission – Timely payments in Income Tax Self Assessment (ITSA)

August 2026

About

Equity is the largest UK creative industries trade union with 50,000 members united in the fight for fair terms and conditions across the performing arts and entertainment. Our members are actors, singers, dancers, designers, directors, models, stage managers, stunt performers, circus performers, puppeteers, comedians, voice artists, supporting artists and variety performers. They work on stage, on TV and film sets, on the catwalk, in film studios, in recording studios, in night clubs and in circus tents.

Most Equity members work on short-term contracts and generally work on the basis that they are self-employed for tax and national insurance, with limb (b) worker status in some roles.

Summary

1. The proposals in this consultation represent an overhaul of the way in which Income Tax Self Assessment (ITSA) taxpayers fulfil their tax obligations. Equity is of the opinion that the extent of the proposed changes far outweighs the scale of the problem identified by the department. Extensive system change to influence the behaviour of the 20% of ITSA taxpayers that pay late, even with the current inbuilt sanctions in the system, is disproportionate.

2. The proposed changes do not take into account the full range of ITSA taxpayers, many of whom do not have a stable and predictable income. For Equity's members working in the performing arts and entertainment industry unpredictable working patterns and fluctuating earnings are the norm making forecasting income near impossible.

3. If the government decides to proceed with these changes, we suggest five important changes to ensure that the impact those in low-income, fluctuating and unpredictable self-employment is minimised:

   - Restrict all proposed changes to those with self-employed turnover above £90,000 to align with the VAT threshold.

   - Keep ITSA tax collection via Pay-As-You-Earn (PAYE) voluntary as is currently the case.

   - Keep the payments on account system as it currently is, but increase the number of payments from bi-annually to quarterly. This minimises the level of change in the system while increasing the frequency with which payments are made.

   - Exclude Universal Credit claimants entirely.

   - Extend the transition period to 24 months to avoid taxpayers having to pay two lots of payments on account during the currently proposed transition year.

4. As we are making the above suggestions to reduce the burden of these proposals, we have chosen to only respond to the questions most relevant to our members' views.

Contact

For more information about this response, please contact Amelia Pratt, apratt@equity.org.uk and Victoria Naughton, vnaughton@equity.org.uk

ITSA Payments through PAYE

1.	**What are the benefits of the proposed approach, or are there alternative suggestions that would achieve the same policy objective?**
2.	**What are the challenges of the proposed approach, or are there alternative suggestions that would achieve the same policy objective?**

5. There are no foreseeable benefits for Equity's members that would arise from the proposed approach. Any ITSA taxpayer who wishes to get ahead regarding forecasted tax liability can and does make personal savings arrangements.

6. These proposals amount to using a sledgehammer to crack a nut. As noted in the consultation's summary, just one-in-five, or 20%, of ITSA tax bills are paid late yet the government is proposing extensive reform to the current system. The negative impact of these proposals as well as the cost involved in such significant reform is disproportionate to the scale of the late payment issue as described by the government.

The nature of work in the arts and entertainment industry makes forecasting income near impossible

7. Work in the arts and entertainment industry is largely not typical self-employment. Work is characterised by a power imbalance between employer and worker and, unlike typical self-employment, Equity members largely have no control over when work is undertaken, they are hired on the basis of their personal characteristics (such as age, height, gender and race) and cannot bid for jobs in an open market, instead relying on gatekeepers such as agents to access available work.

8. Engagements are often structured through short-term contracts. Average engagement lengths for those working in theatre are just a few months, those working in film and TV are often contracted for a week or less and for those working in audio or commercials, engagements of a single day are common. This project-based model of working, combined with the long-established way in which work is obtained means that income fluctuations are an endemic characteristic of work in the industry, not an anomaly. This model of working is not adequately considered in the consultation on these proposals which characterises self-employment as being predictable and stable in the worked

examples used. For a typical worker in the arts and entertainment industry, things can look rather different:

9. A typical three-year period might be as follows. In year 1, a dancer undertakes various self-employed dance projects for which he receives £30k. He also films a well-paid commercial and receives a usage fee of £40k. In year 2 he receives £20k for various dance projects and works on two zero-hours PAYE contracts, one in a pub, one in a yoga studio. In year 3, he does not manage to secure any self-employed dance projects. He doesn't get any hours in the pub so he gets another zero-hours PAYE contract at a restaurant alongside the PAYE yoga work. In month 6 he secures a full-time PAYE job with the National Ballet. In month 12 of year 3 he discovers the commercial has taken off and is to be broadcast in Japan so he receives a further usage fee of £45k. The success of commercials and decisions to broadcast are entirely out of a worker's control and impossible to predict. He decides to focus on self-employed dance projects in the future in the hope of more commercials so leaves the PAYE ballet job.

10. This dancer's year 3 in-year ITSA tax collection would be based on the high year 1 income. During months 1-5 of year 3 he hopes that his self-employed work will quickly yield results but he has very high ITSA tax deductions from his restaurant pay which reduces his available cash and impedes his work search. When he gets the National Ballet PAYE job in month 6 of year 3 he notifies HMRC that his ITSA income has been zero so his year 3 in-year ITSA payments should be reduced. However, by the end of year 3, the Japan usage fee means his ITSA income is £60k. This was entirely outside his control and ability to predict.

11. As clear in the above example, requirements to forecast income would simply not be workable when matched the financial reality of working in the arts and entertainment industry. Salaries can vary significantly month by month and year by year meaning that there would be serious issues with being able to confidently forecast

12. For the proposed in-year adjustments to work, taxpayers must be able to accurately predict tax liability. This presents two problems for those with fluctuating and multiple income streams. The first is predicting the income and the second is predicting tax liability.

13. Predicting tax liability is not straightforward and it is unrealistic to expect taxpayers to undertake these calculations on an ongoing basis throughout the year. Many Equity members work on short gigs overseas and have withholding tax deducted so use Foreign Tax Credit Relief (FCTR) and that is only applied in the final tax return. A requirement to forecast their tax liability in a year involving FCTR would be extremely difficult. Further issues which affect tax liability calculation are adjustments to the personal allowance for high earners, capital allowances, donations to charity, previous year losses, earlier tax overpayments.

14. While we understand that the consultation proposes that those with fluctuating income would be able to address this by regularly updating HMRC in-year, members overwhelmingly have told us that this system would be far too complicated for them and this is illustrated in the example above. There is a concern that workers would feel that they have to update HRMC with every fluctuation in income in order to avoid detriment due to over or under payment. This becomes even more complicated when combined with quarterly update reporting responsibilities under Making Tax Digital which relate to the current year's take home whilst payments on account would be based on income from two years ago.

Industry work is often supplemented by PAYE work

15. Given the fluctuating nature of work in the industry, many of Equity's members use regular PAYE work to provide a stable supplementary income which means that they are able to pay their bills whilst income from industry work fluctuates. The nature of PAYE work varies, with some members having a regular PAYE employer that they can return to in periods when industry work is infrequent whilst others take on several different PAYE contracts at the same time alongside industry work. Already, this structure of intermittent PAYE work as well as fluctuating industry work presents complications for determining the correct tax codes and adding in ITSA liabilities based on uncertain forecasts would only add more confusion.

16. Having ITSA liabilities included in PAYE contributions would make it difficult for workers to identify the amount of ITSA tax paid, as opposed to PAYE contributions, in any given period. This will complicate planning, particularly for those who regularly move in and out of scope due to intermittent PAYE work across different employers as well as fluctuating self-employed income.

17. Adding ITSA liabilities to monthly PAYE tax contributions would reduce the take-home pay that those with these working arrangements could expect. It would undermine the ability of arts and entertainment workers to be able to maintain stable income from PAYE work in order to supplement earnings from industry which, in turn, will have an inhibiting effect on the ability of Equity's members to get work in the industry. Getting industry work often requires auditioning which involves travel at cost to the worker. Members have told us that losing their stable PAYE income due to these proposals would significantly reduce their ability to travel to auditions which would have a negative impact on their ability to get industry work.

18. There is a general concern that requiring ITSA taxpayers to pay their tax monthly via PAYE might lead to confusion over employment status.

Disproportionate effect on low earners

19. Given the issues described above, it is clear that these proposals will have a disproportionately negative impact on low earners. Low earners are more likely to be

combining PAYE and self-employment and relying on the stability of PAYE work to pay their bills. If the predictability of PAYE income is undermined through deduction of uncertain ITSA liabilities it will have a disproportionate effect on those already most likely to be hit hardest by fluctuations in take-home pay. Research with Equity's members found that average yearly take-home from industry work is £15,270.[1] As above, they are highly likely to be supplementing this income with PAYE work and are unlikely to have the financial breathing space to wait for rebates on overpayments that may arise from the proposals.

20. Universal Credit (UC) recipients in scope for these proposals would have to operate under three different systems: UC income and expenses monthly reporting, Making Tax Digital quarterly updates[2], and then forecasting current year tax to adjust PAYE tax collection. Already, self-employed UC claimants experience two different expenses systems under differing DWP and HMRC rules and so have to keep different books. For this reason and others elaborated on in response to questions 24 and 25, we believe that UC recipients should be exempted in entirety from these proposed changes.

Suggestions

21. In order to reduce the impact of these changes on those in low-earning, fluctuating and unpredictable work, Equity is calling on HMRC to change their proposed approach as follows:

22. Currently, taxpayers with ITSA income are able to opt-in to paying their liabilities through their monthly PAYE earnings. We see no reason to change this. The government should keep ITSA tax collection via PAYE entirely voluntary.

23. These proposals should be restricted to those with self-employed turnover above £90,000. A freedom of information request by Tax Policy Associates to HMRC found that while there are more late submission penalties among low earners, there are more late payment penalties among high earners.[3] Introducing a threshold of £90,000 would align with the pre-existing VAT threshold and, therefore, would not add another threshold into the system. It would also mean that the majority of lower earners, who appear to be more likely to pay on time already, would avoid the negative impacts of these proposals while still encompassing those at the higher end of the scale.

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[1] Ashton, H., a report for Equity by the University of Warwick, *'Not Here to Help': Equity members' experiences of UC and the Minimum Income Floor*, 2024

[2] MTD thresholds will be reducing to £20,000 which means that it is entirely feasible that people claiming UC will be in scope

[3] HMRC, 'FOI response regarding late filing penalties and income deciles', Tax Policy Associates, 2025 [https://taxpolicy.org.uk/wp-content/assets/penalties_2025_foia_response_redacted.pdf]

16.	**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?**

24. If forecasting in necessary, it should be entirely up to taxpayers to choose how their income is forecasted. There should be no mandated use of figures from Making Tax Digital submissions.

4.	**What other safeguards should the government consider?**
5.	**Which groups of taxpayers would find a different threshold helpful?**

25. As above, the government should introduce a threshold for eligibility for these proposals. We suggest aligning a threshold with the VAT threshold of £90,000 turnover in order to protect low earners from the disproportionate detriment that they will experience from the proposals as they currently stand. This will still ensure that high earners, statistically more likely to be making late payments, are within scope.

26. The consultation does not include any detail about whether underpayments due to low forecasts will result in any interest being charged on underpaid tax as is the current practice for payments on account (POA). This would be unacceptable under the proposals given, as evidenced above, that it is impossible for our members to accurately predict their income.

27. Those claiming Universal Credit should be excluded from these proposals, we set out further reasoning in response to questions 24 and 25.

6.	**Do employers and other payroll operators need additional safeguards for these changes?**
7.	**What support or guidance might employers benefit from?**
8.	**Are there other impacts for payroll operators that the government should consider?**

28. Equity members who are employers in the creative industries are likely to have a workforce largely constituted of those with combined ITSA and PAYE income. As described above, this combination of work already presents complications for determining tax codes and liabilities. Introducing a turnover threshold for being in scope for these proposals would safeguard small businesses or employers without significant payroll infrastructure against what could be quite a significant increase in administrative burden.

29. If ITSA tax is deducted through PAYE, HMRC must enable taxpayers and employers to readily understand how much tax has been paid towards their ITSA vs their PAYE tax liabilities. Failing to do so would render tax liability forecasting impossible.

30. HMRC should establish a helpline for employers to get in touch with if they need support with adjusting to these proposals, if implemented.

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

31. As recommended above, paying ITSA liabilities should be entirely optional and a threshold should be introduced meaning that only those with ITSA turnover above the £90,000 threshold would be within scope of proposals.

32. HMRC should run a helpline to advise taxpayers on whether to adjust their forecasted income. This will be particularly important for ITSA taxpayers with low incomes who will not have access to tax advisers to provide guidance.

33. When taxpayers do notify HMRC of changes to forecasted income, these notifications must be accepted at face value without onerous administrative work required to prove changes. Taxpayers must have clear guidance on how to record a change in their forecasted income, what information is needed from them and the implications that such a change might have for their ongoing take-home pay and tax. Overpayments due to previously over-generous income forecasting must be repaid quickly and there should be no penalty on underpayments that may result from changes in forecasts that may have previously been too conservative.

Potential reform of direct Payments on Account

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

34. **Many of the challenges laid out in response to Q2 also apply in response to this question.**

35. As explained above, we believe that the extensiveness of the proposed reform to the system far outweighs the policy aims and the possible impacts for HMRC in terms of securing more timely payments.

36. Rather than overhauling the system, which is likely to be costly and will cause significant disruption in the lives of many ITSA taxpayers, we propose that the POA system is retained in its current form but payment frequency is increased to quarterly. These quarterly payment dates could be aligned with reporting dates for Making Tax Digital in order to

maintain as much simplicity as possible and avoid a hugely increased administrative burden for ITSA taxpayers.

37. Taxpayers already have an understanding of the current POA system and so an increase in payment frequency would not be as drastic a change for those who are navigating the system without professional advisers. Those navigating the system alone are disproportionately likely to be lower earners without the means to pay a tax adviser.

38. If HMRC chooses to keep the current system but increase frequency of payments, taxpayers would have already worked for 10 of the 12 months in the tax year by the first POA date so it is likely that they would be better able to predict the following year's tax with more accuracy.

11.	**What could the impact of more frequent payments be on taxpayers?**

39. We have already mentioned many of the possible impacts of more frequent payments on taxpayers, including increased administrative burden and a potential for less accurate payments due to difficulty with forecasting income in industries such as the creative industries.

40. Taxpayers who under the current system save money for 6 months to then pay their liability in January and July will lose the interest that they would have earned on these savings if they are required to pay HMRC at more frequent intervals.

Issues affecting both taxpayers with and without PAYE income

15.	**How might the government best support taxpayers to manage the transitional period?**
18.	**What other support would help ITSA taxpayers during the transition period?**

41. Under the current proposals taxpayers will have to pay two lots of POA during the transition year in 2029/30 one for 2028/29's tax under the old system and one for 2029/30 under the new system. This is unreasonable and will result in significant financial burdens for taxpayers, particularly those on low and fluctuating incomes.

42. Equity proposes that the government commits to a longer transition period in which 2029/30's tax would be spread over the 24 months beginning in April 2029 or a longer period. Using the 24 month proposal would mean that half of 2029/30's tax would be paid in 2029/30, alongside 2028/29 POAs from the old system, and half in 2030/31 alongside POAs under the new system.

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?**

43. The current POA threshold is £1,000 tax liability in a year, this is such a small amount that reducing the threshold would have a negligible impact on HMRC's revenue but would be a significant change for those who do earn under the current threshold.

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

44. Entering into the PAYE system should be entirely optional, particularly for low earners for the reasons laid out in answer to questions 1 and 2.

24.	**What support or guidance might be most effective for taxpayers with particular challenges and needs?**
25.	**What extra support or guidance might taxpayers who qualify for financial support from the government (such as Universal Credit) need?**

45. Universal Credit claimants should be excluded from the proposed changes because of foreseeable and specific detriment to this group. There is precedent for treating UC claimants differently under the tax rules. Section 31B(5) Income Tax (Trading and Other Income) Act 2005, now repealed, gave a higher threshold for access to cash basis accounting for UC claimants than for others. The same approach should be used here.

46. UC claimants would experience significant additional administrative burden under these rules. They must already report monthly self-employed income and expenses to DWP under the UC rules. Added to this and any MTD quarterly updates would be the need to keep track of self-employed income predictions and notify HMRC of in-year adjustments, then deal with consequential changes to PAYE income which could foreseeably lead to over- or under-payments of UC.

47. As take-home pay dictates the level of payment that a claimant is entitled to under UC, the introduction of an additional layer of unpredictability in levels of take-home pay would have knock-on effects in the level of UC payment. This extends to many other elements of UC that are also dictated by earnings levels. For example, a claimant with total monthly earnings above £881will be subject to the benefit cap and earnings above £435 mean that a claimant is no longer entitled to free prescriptions. Further, earning above £881 during a Work Capability Assessment will abort the process and claimants with PAYE earnings above £991 are exempt from most work search requirements.

48. Introducing even more unpredictability in take-home pay is highly likely to have ramifications for many claimants and for DWP's ability to effectively administer the social security system. As such, UC claimants should be excluded from these proposed changes.