

A man and a woman are in a cafe-like setting. The man, on the left, is wearing a light-colored button-down shirt over a dark t-shirt and is pointing at a laptop screen. The woman, on the right, is wearing a striped shirt and a red apron, smiling as she looks at the laptop. The background shows shelves with various bottles and plants.

Premium Credit Tax Index

June 2026

The tax challenge facing
business owners

Introduction

As one of the leading providers of tax and VAT finance in the UK, Premium Credit is experiencing strong growth as more businesses and business owners look to spread the cost of their tax liabilities for up to a year.

Last year we helped 20% more companies spread the cost of VAT, Corporation Tax and self-assessment tax payments compared to 2024 and we recorded a 24% rise in total lending.

A key factor in this growth is the rising tax burden being felt across the UK economy with the increase in employers' National Insurance, which took effect from April last year, adding to the pressure on SMEs.

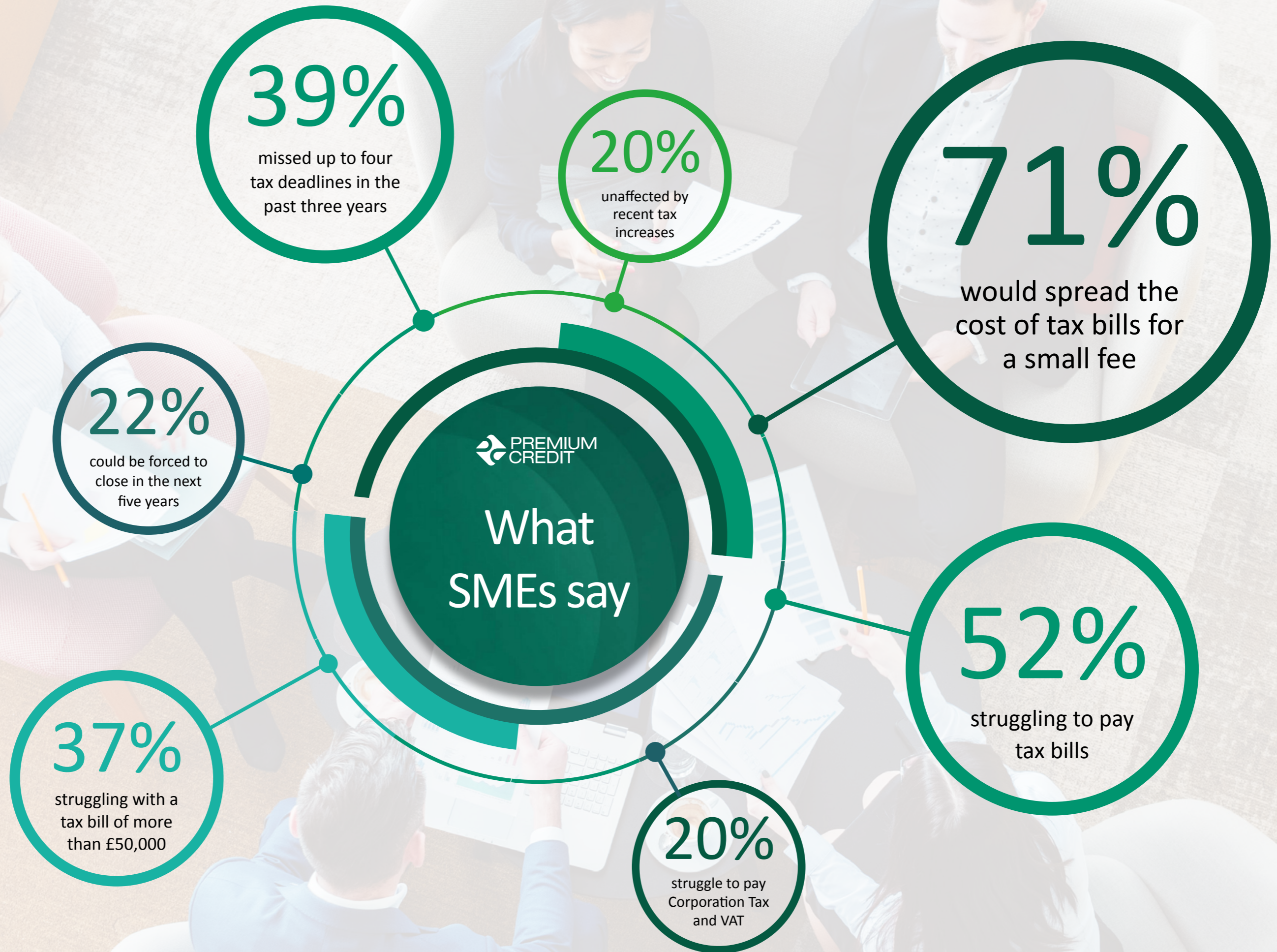
That pressure is only likely to grow – Government forecasts¹ estimate total onshore Corporation Tax receipts are expected to increase from around £96.7 billion in the 2025/26 tax year to £121.1 billion by 2030/31, while VAT receipts will grow from £179.6 billion to £224 billion. The pressure on SMEs is demonstrated by Insolvency Statistics² for England and Wales with nearly 24,000 recorded last year.

However, paying tax bills is a long-standing issue for SMEs as seen from our independent research³ with business owners and managers, and accountants and financial advisers⁴ who support clients with VAT and Corporation Tax.

This is our fourth report focusing on this issue and how it is changing, with this year's study highlighting the growing pressure on SMEs as well as accountants and financial advisers. The results of our research outline the challenges many businesses face with paying tax bills but more importantly underline the growing demand for funding solutions.



Key Findings



How SMEs are coping with tax bills

SMEs are feeling the effect of last year's employers' National Insurance increase and the higher minimum wage. Just one in five (20%) said they had been unaffected by overall taxation changes.

Around 36% said the increases reduced profits with more than a third (34%) saying higher costs have meant reduced recruitment. About a fifth (19%) said those measures made trading more difficult and reduced revenue.

More than half (52%) of SMEs are currently struggling to pay tax bills as the full impact of the increases takes effect.

The biggest issue currently is Corporation Tax which more than a fifth (22%) are struggling to pay while 12% struggled to pay VAT. However, 20% found it difficult to pay both.

The most common coping strategy for SMEs facing tax bill pressure is to take on more work. One in three (32%) said that was how they were planning to pay.

Around a quarter (23%) will attempt to raise funds from existing investors while a fifth (21%) will borrow money to meet tax obligations. However, job losses remain a possibility with 13% saying they may have to lay off staff.

More than one in five (22%) SMEs fear they could be forced out of business over problems paying tax in the next five years.

Problems paying tax bills are not new – around 53% have struggled to pay bills in the past three years with a quarter (24%) struggling to pay both VAT and Corporation Tax. Around 21% have faced challenges paying Corporation Tax and 13% VAT.

For around two out of five (37%) the size of the bill they faced was more than £50,000 including 12% who struggled to pay bills of more than £100,000.

However, despite tax issues more than four out of five (81%) described their firm's finances as very or quite healthy.



Jennie Hill, Chief Commercial Officer, Premium Credit (Specialist Finance):

"Paying tax bills is a long-standing challenge for many SMEs with last year's tax increases adding to the pressure on their finances.

"Companies appear to be focusing on expanding their businesses as well as raising funds from investors and borrowing money in order to pay bills on time, but some may be forced to cut jobs.

"Firms which are struggling should consider spreading the cost into convenient monthly payments to help them pay their tax on time and improve cash flow."



Deadlines are a concern

Penalties and fines for missing tax deadlines range from £100 for being a day late with a Corporation Tax payment to as much as 15% of the amount of VAT not paid on time. Fines for paying VAT late only start after payment is 15 days late.

Our study found nearly two out of five (39%) businesses said they had missed up to four tax bill deadlines in the past three years highlighting the need for solutions to help SMEs pay on time.

Nearly three out of four (73%) said they were aware they could spread the cost of tax bills throughout the year with HMRC.

The research shows SMEs are even struggling to get VAT and Corporation Tax returns in on time which is particularly worrying given the launch of Making Tax Digital for income tax self-assessment returns requiring individuals to submit four returns in a year.

More than half (55%) of the businesses questioned admitted to being late with filing a VAT or Corporation Tax return in the past three years.

Around one in eight (13%) questioned said they are very worried about fines from HMRC for missing deadlines for paying tax or submitting returns.

However, there is good news – nearly half (44%) believed HMRC had become more supportive towards business owners compared with 31% who believed HMRC was getting tougher. Research last year⁵ found 18% believed HMRC had got tougher while 19% said it had become more understanding. Around a third (32%) said there had been no change and 31% did not express a view.

But the numbers fearing they may have to use HMRC's Time to Pay (TTP) scheme, which enables eligible businesses to pay tax arrears usually within three to six months, is rising. Around 30% this year said they may have to use TTP in the next three years compared with 12% in last year's study.

Around a quarter (24%) of SME owners and managers had in the past worked for firms that closed or went into liquidation because of tax bills.

Karl Leitelmayer, Sales Director, Tax:

"SMEs clearly need help to avoid missing deadlines and getting tax returns in on time so as not to have to pay fines. Being able to spread the cost of tax bills into convenient monthly payments helps businesses to manage cash flow and invest in themselves."



Broker View: Reality Finance

Reality Finance is a leading asset finance broker providing flexible business funding solutions tailored to companies and assets of all types and sizes. It helps SME clients maintain strong cash flow as they navigate economic uncertainties, allowing them to manage working capital more strategically, prepare for potential interest rate fluctuations, and ensure liquidity as supply chain and cost pressures continue to evolve.

Changing tax obligations have encouraged clients to think more strategically about their cash flow with most choosing proactively to fund tax bills in order to maintain stronger cash positions, preserve liquidity and stay resilient ahead of potential economic headwinds.

Clients typically fund tax bills ranging from the mid-thousands to high tens-of-thousands, depending on the business size. Many SMEs use a combination of internal cash reserves, short-term business loans, overdrafts, or invoice finance. However, funding tax bills via instalments has become the preferred option because it's cost-effective, fast, and doesn't disrupt existing banking facilities. Instalment solutions help clients avoid ever reaching a point where deadlines become an issue, reinforcing good financial planning and risk management.

James Cashmore, founder of Reality Finance:

"SMEs prefer smoothing large tax outgoings across predictable instalments, ensuring that capital remains available for growth, investment, or operational flexibility. Businesses increasingly view instalment solutions as a smart way to manage cash flow in a period of rising operational costs."

"Partnering with Premium Credit enhances our value proposition by giving clients a simple, reliable way to fund tax bills while preserving liquidity. It improves customer experience, strengthens retention, and supports our growth by offering a seamless solution that meets the needs of SMEs looking to protect cash flow in a changing economic landscape."

James added: *"Demand for instalment solutions is likely to increase as more SMEs adopt proactive cash flow strategies. With ongoing economic uncertainty, businesses want flexibility and the ability to keep capital free for investment, hiring, and operational resilience. Instalment options provide exactly that."*



Monthly payments are happening in reality

Accountants and financial advisers are increasingly switching to allowing monthly fee payments to help ease the financial pressure on clients and themselves.

Nearly two out of five (37%) questioned said cash flow at their business suffered last year and almost all (95%) said clients struggling to pay fees was the main or a contributory factor in the squeeze on cash flow.

However more than four out of five (85%) expected cash flow to improve over the next 12 months including 15% expecting cash flow to improve significantly over

the period. More than half (52%) said that their client base has expanded over the past three years with just 4% reporting their client base had shrunk.

The improvements are against a backdrop of more accountants and financial advisers allowing clients to pay fees monthly. Almost all (97%) say they allow clients to pay fees monthly over an extended period of time. Research last year found just 70% were doing so.

Almost all (96%) questioned said they would consider allowing clients to pay fees monthly if asked – that

compares to 68% in last year's survey. There was similar strong support (98%) for offering clients the option to spread the cost of tax bills through instalments.

Accountants and financial advisers are seeing signs of financial strain among clients as the table below shows. More than half (51%) estimate up to 10% of clients are in poor financial health or on the verge of failing.

Percentage saying SME clients fit in this category	Very healthy	Quite healthy	Average health	Poor health	On the verge of failing
Less than 10%	3%	7%	6%	23%	28%
10% to 24%	23%	14%	15%	47%	46%
25% to 49%	36%	38%	62%	22%	18%
50% to 74%	37%	39%	14%	6%	8%
75% to 100%	1%	2%	3%	2%	Zero

Nearly two out of three (66%) accountants and financial advisers said HMRC was getting tougher on tax arrears and debts. That is double the 33% who believed HMRC had become more understanding.

Around half of accountants and financial advisers surveyed (48%) said Government tax changes have led to reduced staff and recruitment at firms they work with while 47% said it has cut profits.



Karl Leitelmayer, Sales Director, Tax:

“Accountants and financial advisers continue to show real flexibility and creativity in how they support clients, while also ensuring their own fees are paid on time.”

“We’re seeing increasing use of monthly payment options being offered, and it’s clearly making a difference. More accountants and advisers are feeling optimistic about their cash flow for the year ahead.”

Accountants and financial advisers agree tax bills are a problem

Accountants and financial advisers warn that clients are increasingly struggling to pay tax bills with Corporation Tax the biggest concern.

The number estimating that at least 15% of clients found it difficult to pay tax bills (37%) has more than doubled from three years ago (16%).

Almost all (95%) accountants and financial advisers surveyed who advise on tax are seeing a rise in clients struggling to pay tax bills with nearly half (45%) seeing an increase of between 10% and 14%.

Around half (50%) said the biggest increase is in clients struggling to pay Corporation Tax with 26% saying the biggest increase is in relation to VAT bills and 24%

pointing to income tax. That is a switch from last year which saw income tax as the biggest issue cited by 70% of those questioned.

The average value of tax bills that clients are struggling to pay is around £65,000 with accountants and financial advisers split on the reasons why clients are struggling to pay bills.

Economic factors including tax rises, wage inflation, supply costs and general cost-of-living pressures were ranked as having the same influence as personal issues such as divorce and redundancy.

Accountants and financial advisers are seeing growing use of HMRC's Time to Pay (TTP) scheme, which allows

eligible businesses extra time to repay tax arrears usually over a period of three to six months.

Sixty-two percent of accountants and financial advisers said 5% or more of their clients use TTP compared with 25% last year. However, within three years nearly seven out of 10 (69%) believe 5% or more of their clients will be using it.

The table below shows how the percentage of clients that accountants and financial advisers estimate struggle with tax bills has increased over the past three years.



Nigel Stewart, Sales Director, Professions:

“Engaging early with clients facing tax problems and offering practical solutions such as spreading the cost into convenient monthly payments will obviously help them, but it would also help accountants and financial advisers to protect their own businesses.”

Percentage of clients struggling to pay tax bills	Percentage of accountants and financial advisers that estimate this percentage of their clients are struggling to pay their tax bills now	Percentage of accountants and financial advisers that estimate this percentage of their clients struggled to pay their tax bills three years ago
None	Zero	Zero
Less than 5%	Zero	1%
5% to 9%	4%	47%
10% to 14%	59%	36%
15% to 19%	30%	15%
20% to 49%	7%	1%

Broker View: Central Finance

Central Finance offers solutions to assist all types of business to access all types of finance, helping businesses boost cash flow, fund growth, expand, acquire businesses / assets or secure the purchase of premises.

SME owners are very pressed for time, often juggling many diverse roles, and they may not be finance experts. The ethos at Central Finance is to take that burden away from their clients, matching the right type of funding to their needs.

Steve Harris, Director at Central Finance:

“One of our jobs is helping our clients to sleep at night. Running a small business can be stressful and we want to ease the burden. Clients often come to us with a preconceived idea of what they want, usually a three to five year loan for a particular purpose. Rather than taking the easy route by meeting that demand and moving on, we take them through a deep dive which surfaces the reasons they need the cash, and in turn allows us to recommend the right products for them.

“When an SME business owner is in arrears with a tax bill it’s all too easy to fall into the trap of picking a short-term loan just to get by. That invariably means high interest rates and high monthly repayment loans.”

Steve continued: *“In cases like that we end up unravelling the quick-fix and re-financing the loan. We then try and work with the client to plan ahead and assess cash needs over the long-term, so they end up getting the right amount of money over the right time period.*

“Working with Premium Credit allows Central Finance to offer its clients the facility to manage tax bills, including a Corporation Tax funding product that pays HMRC direct.”

Steve adds: *“Premium Credit have a slick process and are quick and easy to deal with. We know we will see high acceptance and conversion rates and that makes life a lot easier for us and our clients.”*



The demand for solutions

Almost all (95%) of accountants and financial advisers questioned said their clients would definitely or probably consider the option to spread the cost of their tax bills through instalments for a small fee.

There was also strong support among SME owners and managers for the option to spread the cost of their tax bills for a small fee.

Around 71% said they would consider such a scheme while just 18% would definitely rule it out. A further 11% said they were undecided about the option.

Nigel Stewart, Sales Director, Professions:

“Using schemes which enable SMEs to spread the cost of tax bills into convenient monthly payments helps SMEs and their advisers. It also ensures the bills and fees for accountants and financial advisers are paid on time reducing the risk to their own cash flow.”

What we are seeing in the market

We are seeing strong growth in the total amount we lend and the number of customers we help spread the cost of VAT, Corporation Tax and self-assessment tax payments.

We recorded a 20% rise in the number of companies we helped and a 24% rise in total lending from the previous year as tax increases including employers' National Insurance hit SMEs.

Around 40% of our tax lending last year was for VAT bills with 60% for Corporation Tax and self-assessment payments. Lending for VAT bills rose 23% last year while non-VAT lending grew by 25%.

This growth in 2025 builds on expansion in previous years - the number of customers we help has

increased 58% since 2023 while total lending has also increased by 58%. Over the past two years non-VAT lending has increased by 61% while VAT lending has grown by 54%.

In 2025, the average size of loan to help pay VAT tax bills was £126,600 – up 17% on the previous year and 25% over two years - while for non-VAT tax bills it was £70,200 compared with nearly £70,000 in the previous year and £73,600 in 2023.

Jennie Hill, Chief Commercial Officer, Premium Credit (Specialist Finance):

“Tax rises which took effect last year are having a major impact on SME finances and leading to companies looking for solutions to help ease cash flow.

“Around £3 billion to £5 billion of tax and VAT liabilities are financed each year, highlighting why flexible solutions enabling businesses to spread the cost of annual and quarterly tax liabilities into convenient monthly payments for up to a year are becoming more popular.”



Conclusion

Just one in five (20%) SMEs said their business had been unaffected by recent tax rises and 22% fear they could be forced out of business over problems paying tax bills in the next five years.

Those figures underline the scale of tax issues faced by SMEs and highlight the need for solutions to enable companies to meet their obligations and stay in business.

There is also a knock-on effect on accountants and financial advisers who advise on tax and they are reacting in a highly pragmatic way by increasingly enabling their clients to pay fees monthly.

Seventy-one percent of SMEs would consider the option to spread the cost of tax bills and 95% of accountants and financial advisers believe their clients would do so.





About Premium Credit

Premium Credit is a leading provider of insurance premium finance and a range of annually charged services, including tax, regulatory and accountancy fees, sports season tickets, memberships and school fees in the UK and Ireland. Each year, we lend more than £6 billion and service over 3 million customers through a network of over 2,500 partners.

For more information, please visit: www.premiumcredit.com

For further information on Premium Credit's Fee Plan proposition, please visit: www.premiumcredit.com/products/accountancy-fees

For further information on Premium Credit's Tax and VAT funding proposition, please visit: <https://www.premiumcredit.com/products/tax-and-vat>

Sources

(1) TaxSpend - Office for Budget Responsibility

(2) Company insolvency statistics releases - GOV.UK

(3) Independent research conducted by Pureprofile among 1,045 SME owners and managers between March 10th and 19th 2026

(4) Independent research conducted by Pureprofile among 100 accountants and financial advisers who advise on corporation tax, VAT and income tax during March 2026

(5) Independent research conducted by Viewsbank online among 1,117 SME owners and managers between April 11th and 14th 2025

(6) Independent research conducted by Pureprofile among 100 accountants and financial advisers who advise on corporation tax, VAT and income tax during April 2025

(7) Analysis of Premium Credit data

(8) Independent research conducted by Viewsbank online among 1,246 SME owners and managers between March 15th and 18th 2024

(9) Independent research conducted by Pureprofile among 105 accountants and financial advisers who advise on corporation tax, VAT and income tax during March 2024