

The Tax Index »»»

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The tax challenge facing businesses
and 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.

Part of that growth is being driven by the rising tax burden being felt across the UK economy with the increase in Employers' National Insurance which took effect from April 2025 adding to the pressure on SMEs.

However, paying tax bills is a long-standing issue for SMEs as our independent research¹ with SME owners and managers and also with accountants and financial advisers² who support clients with VAT and Corporation Tax shows.

This is our third report focusing on the issue and how it is changing with this year's study highlighting the growing pressure among SMEs as well as accountants and financial advisers when it comes to tax.

We asked accountants about the impact on their cashflow and whether their clients are struggling to pay fees.

The results of our research outline the challenges many businesses face with paying tax bills but more importantly underline the growing range of solutions for firms facing tax issues and the growing demand for funding.



Key findings:

- Around one in five (20%) SMEs – the equivalent of a million companies – worry paying tax bills will become more difficult in the year ahead due to tax rises
- About 15% of SMEs have struggled to pay tax bills in the past 10 years with 25% of them owing more than £50,000
- More than one in three (34%) SMEs say they would consider a scheme to spread tax bills over a year regardless of whether they struggle to pay. That's up from 31% in last year's research
- Nearly 500,000 SMEs say they have missed tax payment deadlines in the past three years with 19% of them admitting to missing five or more in the past 12 months
- Nearly one in 10 (9%) SME owners and managers say they have worked for a company which closed down because it could not pay its tax bills
- Around 380,000 (7%) say there is a risk their current firm could be forced out of business in the next five years over tax bills
- 94% of accountants and financial advisers who advise on tax have seen a rise in clients struggling to pay tax bills in the past 12 months. That compares with 89% in last year's report
- Tax rises and planned tax rises are cited by 50% of accountants and financial advisers as one of the main three reasons why clients are struggling to pay their tax bills
- Nearly nine out of 10 (87%) say more clients are struggling to pay their fees and nearly three out of four (74%) expect a rise in the number of clients finding it hard to pay fees over the next 12 months



The growing tax challenge for SMEs

Around one in five SMEs believe it will become more difficult to pay tax bills in the year ahead as business tax rises come into effect, our research found.

Worries about paying tax bills are a long-standing issue for SMEs as our previous reports have shown but the introduction of higher Employers' National Insurance in April has increased concerns about meeting bills.

Around 20% of SMEs – the equivalent of a million companies³ – worry paying tax bills will become more difficult in the next 12 months due to tax rises while 28% believe that it is very or quite likely their firm will struggle to pay a tax bill in the next five years. More than one in five (21%) say it has become more difficult paying tax bills since the start of the cost of living crisis. Research⁴ last year found 17% said it had become harder to pay their tax since the cost of living crisis started and 23% said it was likely their company would find it tougher paying one or more tax bills in the next five years.

Currently one in 12 (8%) of the UK's 5.5 million SMEs say they are struggling to pay tax bills, the same number as last year. Around 47% of them say they are struggling to pay a VAT bill and 44% a Corporation Tax bill.

More than a third (35%) of those struggling say they will try to agree with HMRC to pay the bill over a longer period of time while 29% say they will take on more work to pay the bill and 27% will take out a loan.

More than one in three (34%) SMEs say they would consider a scheme to spread tax bills over a year regardless of whether they struggle to pay their tax bills or not with a further 30% undecided. Research last year found 31% of SMEs would consider spreading tax bills over a year.

Our research found 15% of SMEs have struggled to pay tax bills in the past 10 years with 25% of them owing more than £50,000. A third (32%) said they agreed payment deals with HMRC while one in five (19%) laid off staff to afford the payment.

Size of tax bill SMEs are struggling to pay	SMEs who struggle with this size of tax bill
Up to £10,000	21%
£10,000 - £20,000	25%
£20,000 - £30,000	9%
£30,000 - £50,000	12%
£50,000 - £75,000	9%
£75,000 - £100,000	5%
More than £100,000	11%
Don't know/prefer not to say	8%

More than a third (35%) of those struggling say they will try to agree with HMRC to pay the bill over a longer period of time while 29% say they will take on more work to pay the bill and 27% will take out a loan.

How companies will pay tax bills	Companies who say this
Agree a payment plan with HMRC	35%
Take on more work	29%
Take out a loan	27%
Sell assets	21%
Raise funds from new investors	17%
Raise funds from existing investors	17%
Sell investments	16%
Borrow money from family or friends	15%
Layoff staff	14%



Karl Leitelmayer
Sales Director, Premium Credit
(Tax) said:

“The latest tax increases are expected to add further pressure to what is a long-standing issue for SMEs with paying bills.”
“Of course firms should plan ahead and ensure they have money set aside to meet bills when they are due but cashflow issues can be a problem and owners will be focused on running their business effectively.”

How are SMEs coping with deadlines?

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 research shows nearly 500,000 SMEs say they have missed tax payment deadlines in the past three years with 19% of them admitting to missing five or more in the past 12 months.

Around 9% of the UK's 5.5 million SMEs have missed tax payment deadlines for Corporation Tax, VAT and other taxes in the past three years. Around one in eight of those surveyed by us (12%) say they may use HMRC's Time to Pay (TTP) scheme, which enables eligible businesses to pay Corporation Tax arrears usually within three to six months, in the next three years.

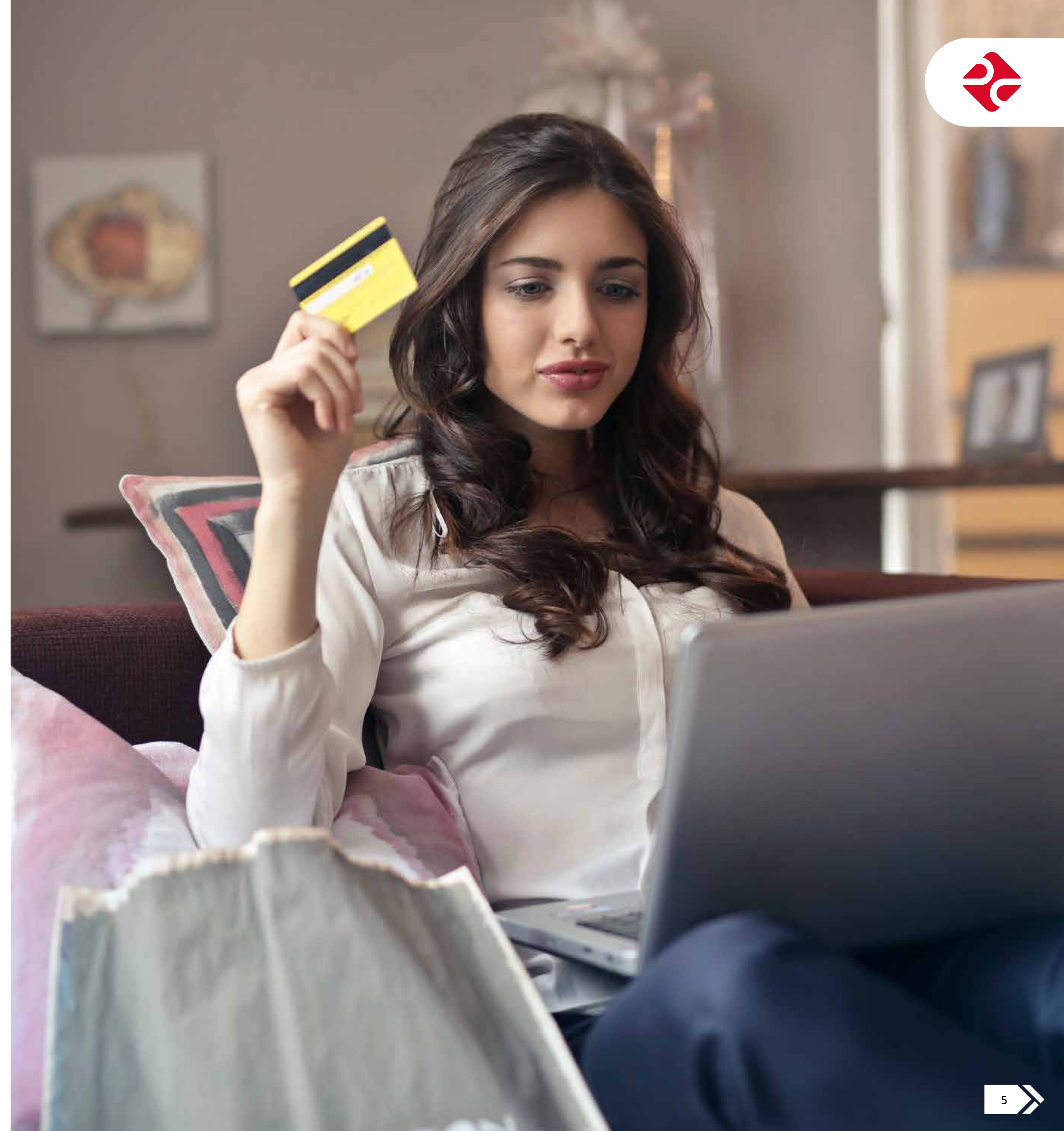
Nearly one in 10 (9%) SME owners and managers questioned say they have worked for a company which closed down because it could not pay its tax bills and around 380,000 (7%) say there is a risk their current firm would be forced out of business in the next five years over tax bills.

SME owners and managers are split over whether HMRC is getting tougher on tax arrears and debts – around 20% say it is while 23% say it has become more supportive. Around a third (30%) said there had been no change while 27% did not express a view.

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.

Karl Leitelmayer
Sales Director, Premium Credit
(Tax) said:

“Spreading the cost of tax bills over a year for a small fee will help companies to plan more efficiently and avoid any risk of fines or penalties which can be crippling for a business that is already struggling to meet its tax obligations.”





Accountants and financial advisers are seeing the impact on clients

Accountants and financial advisers increasingly are seeing clients struggling to pay tax bills with the average bill they are struggling to pay coming in at £120,000, our research shows.

The study found almost all (94%) of accountants and financial advisers who advise on tax have seen a rise in clients struggling to pay tax bills in the past 12 months with more than six out of 10 (61%) reporting an increase of 10% or more in the number of clients struggling with tax bills. Research⁵ last year found 89% of accountants and financial advisers reporting a rise in clients struggling to pay bills.

Trouble paying income tax bills saw the biggest increase identified by 70% of those questioned. However 40% have seen a rise in clients struggling to pay VAT and 39% a rise in clients struggling to pay Corporation Tax. On average 13% of accountants’ and financial advisers’ clients are struggling with tax bills.

Tax rises and planned tax rises are cited by 50% of accountants and financial advisers as one of the main three reasons why clients are struggling to pay their tax bills followed by 43% who say clients’ profit margins have suffered.

Research last year found 37% identified tax rises as the major reason, with around 40% saying clients’ revenues had dropped. Last year 54% selected cost of living pressures as the main reason for the problems with tax bills but this year’s study found 30% selecting that as a top three reason for problems with tax.

The research found accountants and financial advisers expect 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. They also expect a rise in HMRC’s use of bailiffs.

Currently just a quarter (25%) of accountants and financial advisers surveyed say 5% or more of their clients use TTP but within three years nearly two out of three (63%) expect 5% or more of clients to be using TTP.

More than four out of five (81%) questioned say they expect the number of clients facing calls from HMRC bailiffs seizing goods for Corporation Tax payments to rise in the next five years with 19% predicting a dramatic increase.

The study found 94% of accountants and financial advisers believe clients would consider using a service which enables them to spread the cost of their tax bills for a small fee regardless of whether they struggle to pay bills.

Karl Leitelmayer
Sales Director, Premium Credit
(Tax) said:

“Almost all the accountants and financial advisers in our research are seeing an increase in clients struggling with tax bills and the average size of bill is substantial. Accountants and financial advisers need to engage with clients facing tax problems and offer them practical solutions such as spreading the cost into convenient monthly payments.”

Reason why clients are struggling to pay their tax bills	Accountants and financial advisers citing this as one of the top three reasons
Tax rises/planned tax rises	50%
Profit margins have fallen	43%
Company revenue and sales have fallen	40%
Cost of supplies has increased	39%
Business wage inflation for staff	37%
Change in employment e.g. made redundant	31%
Cost of living challenges	30%
Personal circumstances of clients e.g. divorce	30%



Accountants’ cashflow is under pressure

Cashflow is an issue for accountants and financial advisers themselves like any other SME and late payment of fees is one of the pressures on cashflow, our study found.

Nearly nine out of 10 (87%) say more clients are struggling to pay their fees and nearly three out of four (74%) expect a rise in the number of clients finding it hard to pay fees over the next 12 months.

More than nine out of 10 (91%) say that clients not paying fees on time has been a factor in cashflow worsening with 27% saying it has been the main factor.

The study found that accountants and financial advisers are seeing increasing financial distress among clients as the table shows. Two-thirds (67%) estimate that up to 10% of clients’ businesses are on the verge of failing while half (50%) estimate up to 10% of clients’ businesses are in poor health.

Firm’s financial state of health	Up to 10% SMEs in this category	10% - 25% SMEs in this category	25% - 50% SMEs in this category	50% - 75% SMEs in this category	75% - 100% SMEs in this category
Very healthy	8%	56%	17%	18%	1%
Quite healthy	12%	21%	56%	10%	1%
Average health	8%	32%	47%	11%	2%
Poor health	50%	37%	11%	2%	0%
On the verge of failing	67%	25%	8%	0%	0%



Nigel Stewart
Sales Director, Premium Credit
(Professions) said:

“Accountants and financial advisers are heavily reliant on clients paying fees and paying them on time, so it is inevitable that when clients struggle to pay fees accountants and financial advisers suffer.”



Demand for solutions

Accountant and financial adviser firms are doing all they can to support clients and allow them to spread fee payments to help ease the financial pressure on them, the research found.

The study found 70% of those surveyed are now allowing some clients to pay fees monthly or over an extended period. Up to 85% of accountants and financial advisers say they would consider using a scheme enabling clients to spread the cost of fees over monthly payments or would consider recommending one to clients.

Nigel Stewart
Sales Director, Premium Credit
(Professions) said:

“Accountants and financial advisers are being flexible to support clients who are clearly struggling. Using schemes which enable clients to spread the cost of fees into convenient monthly payments would help both sides and ensure bills are paid on time removing any risk to cashflow.”





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.

The number of customers⁶ using our Tax and VAT funding service more than doubled in the past two years by 108% while the total value of lending provided last year was 52% higher than in 2022.

The first quarter of this year has seen a 37% rise on the same period last year in terms of total lending and a 22% rise in customers.

Lending for VAT bills was 24% higher last year than in 2023 while lending for Corporation Tax and self-assessment tax payments rose 29%. The number of customers borrowing from us for VAT bills last year was 17% higher than the previous year while the number borrowing for other bills rose 36%.

Last year, the average size of loan to help pay VAT bills was £108,082, and for non-VAT tax bills it was £69,562. In the first quarter of this year the average loan for VAT bills was £111,195 compared to £100,264 for other tax bills.

Karl Leitelmayer
Sales Director, Premium Credit
(Tax) said:

“Around £3 billion to £5 billion of tax and VAT liabilities are financed each year and recent increases to Employers’ National Insurance are adding to the strain on SME cashflow.”



Conclusion

The recent increase in Employers' National Insurance has added to the tax burden on SMEs and is contributing to more firms struggling to pay bills and missing tax payment deadlines.

However paying tax bills on time is a long-standing issue for SMEs as demonstrated by the research in our three reports and it has a knock-on effect on accountants and financial advisers who advise clients on tax.

Companies which miss tax deadlines face the prospect of fines which can have a crippling impact when they are already struggling with their cashflow.

Companies need finance solutions which will help them manage their cashflow while being able to plan for the future with greater certainty. Being able to afford to pay their tax bills on time in an affordable way is central to that.

Any company which is struggling should consider spreading the cost of their tax bills for up to a year which for a small fee will help them to pay bills on time and improve cashflow when it is needed.

The same applies to accountancy firms which are experiencing the impact of their clients' struggles. There is help available and solutions which can address the growing issues of affording tax bills and accountancy fees.





About Specialist Finance

Premium Credit, a multi-award-winning company and a proud patron of the NACFB, delivers monthly payment solutions for a wide range of annually charged services, such as tax, season tickets, memberships and school fees throughout the UK and Ireland. Recognised as the leading third-party provider of insurance premium finance, we support more than three million customers annually, lending over £5.5 billion through our network of three thousand partners.

Sources

- (1) Independent research conducted by Viewsbank online among 1,117 SME owners and managers between April 11th and 14th 2025
- (2) Independent research conducted by Pureprofile among 100 accountants and financial advisers who advise on corporation tax, VAT and income tax during April 2025
- (3) Analysis of Premium Credit data
- (4) Business population estimates - GOV.UK
- (5) Independent research conducted by Viewsbank online among 1,246 SME owners and managers between March 15th and 18th 2024
- (6) Independent research conducted by Pureprofile among 105 accountants and financial advisers who advise on corporation tax, VAT and income tax during March 2024

For further information on Premium Credit's Tax and VAT funding proposition, please visit:

www.premiumcredit.com/products/tax-and-vat

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