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Reintroduce Certificates of Tax Deposit

Autumn Budget 2025 representation by the Chartered Institute of Taxation

1. Introduction

1.1. The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 20,000 members, and extensive volunteer network, in providing our response.

1.2. This Budget 2025 representation recommends that HM Treasury (HMT) reintroduce Certificates of Tax Deposit (CTDs).

2. Certificates of Tax Deposit and closure of the scheme

2.1. The CTD scheme allowed taxpayers to deposit money with HMRC and use it later to pay certain tax liabilities. This was a particularly useful facility for taxpayers whose affairs were under investigation by HMRC where the amount of tax that would eventually be due was unknown. They could purchase CTDs to help stop late payment interest charges accruing on the amount owed whilst still under investigation.

2.2. This was attractive as it enabled taxpayers to give HMRC money which could be allocated against a specific liability if their appeal was eventually lost, but without appearing to concede their case in the meantime. It also gave more peace of mind as it was easier for the taxpayer to get a repayment from a CTD than from their HMRC self-assessment or SAFE accounts.

2.3. HMT closed the CTD scheme for new purchases on 23 November 2017, although it continued to honour existing certificates until 23 November 2023[1].

[1] https://www.gov.uk/guidance/certificate-of-tax-deposit-scheme

3. Late payment interest and tax investigations

3.1. The late payment interest rate was increased to base rate plus 4% from 6 April 2025 (it was plus 2.5% before that). It has been 8% since 27 August 2025[2].

3.2. HMRC enquiry or investigation cases can often take many years to resolve which can cause hefty interest costs to arise. The increase in the rate of interest on late payments of tax has exacerbated this problem. Sometimes delays are due to the amount of information HMRC ask for and the time needed to gather it, but they can also arise from HMRC taking a long time to respond to correspondence.

3.3. It may therefore take some time before taxpayers know the amount of tax that may eventually be due. In the meantime they need to decide whether to make payments on account against any potential liability to minimise interest charges accruing.

3.4. In cases where there is doubt as to the potential liability, this decision will be partly influenced by the differential between late payment and repayment interest rates. As noted above, the current late payment interest rate is 8% which compares to an interest rate of 3% on overpayments – a differential of 5%. We cannot see any reasonable basis on which there should be such a significant differential between late payment and repayment interest. [see our Budget Representation on *Repayment interest and commercial restitution for VAT* submitted on 14 October 2025 in which we explore this further].

3.5. In addition, taxpayers are generally reluctant to make payments on account to HMRC before their liability is certain because they do not know how long it will take for the money to be refunded by HMRC if it turns out that it was not due. The CTD scheme was a good solution for this.

3.6. HMT decided to close the scheme in 2017 but there was no consultation with taxpayers or agents in advance of the announcement at the 2017 Autumn Budget[3]. The reason provided at the time was 'to make the tax system simpler and fairer' but no further details were given. With the increase in the late payment interest rate since then, in our view it is now time to consider reintroducing it.

3.7. We would also suggest that a review should be undertaken to assess whether CTDs could have helped to tackle the level of non-payment which currently forms 12% of the Tax Gap[4]. This is likely to include tax debts owed by people with large tax bills following lengthy investigations now finding themselves facing significant and unaffordable interest charges. Closing the Tax Gap is of course one of the Government's priorities, and if CTDs could reduce levels of non-payment that seems another sensible reason to reintroduce them.

4. About us

4.1. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

[2] https://www.gov.uk/government/publications/rates-and-allowances-hmrc-interest-rates-for-late-and-early-payments/rates-and-allowances-hmrc-interest-rates#:~:text=The%20current%20late%20payment%20and,3.00%25%20from%2027%20August%202025
[3] Para 3.85 https://assets.publishing.service.gov.uk/media/5a82b82ced915d74e3403377/autumn_budget_2017_web.pdf
[4] https://www.gov.uk/government/statistics/measuring-tax-gaps/7-tax-gaps-illustrative-tax-gap-by-behaviour

4.2. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

4.3. The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.

4.4. Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

4.5. Our stated objective for the tax systems include:

- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

5. Acknowledgement of submission

5.1. We would be grateful if you could acknowledge safe receipt of this representation. We would welcome the opportunity to discuss the issues we have identified in more detail.

The Chartered Institute of Taxation

14 October 2025