

IMPORTANT UPDATE

VAT Payment Deferral

Welcome news on Friday 20 March 2020 for all UK VAT registered businesses, who were told that VAT payments due to HMRC during this period, will be deferred. Since then there has been confusion about details surrounding the announcement. Much of these have now been clarified and are outlined below

In particular HMRC confirm that the deferral scheme applies to all businesses with a UK VAT registration number. This appears to include all overseas businesses who are registered in the UK, which will be a welcome relief to them.

What we know

- The VAT payment deferral period will apply from 20 March 2020 until 30 June 2020.
- All UK businesses are eligible and it automatically applies. There is no need to speak to HMRC to arrange or agree this.

What does this mean for my business

- Businesses with a VAT payment due in this period will not need to make that payment to HMRC.
- Whilst the guidance does not explicitly state that there will be no penalties for late payment of VAT it does for income tax – “No penalties or interest for late payment will be charged in the deferral period”. There isn’t an interest regime for late payment of VAT returns – only the possibility of default surcharges. These cannot apply where the government has announced a deferral period.
- This affects the following VAT return periods:
 - **02/20** period ending **29 February**.
 - **03/20** period ending **31 March**.
 - **04/20** period ending **30 April**.
- Amounts due during this deferral period must be paid by 31st March 2021. Take care to plan cashflows so that Spring 2021 does not become ruinous for the business. The VAT liability can be paid at any time during this period.

What happens if I am a large business on payments on account?

- You will not be required to pay your monthly instalments during the deferral period, for the above VAT periods or for period 05/20.
- There have been conflicting views from HMRC about whether the balancing payment for 05/20 which is due on 30th June will be covered by the deferral scheme.
- Until there is further direction from HMRC, the taxpayer can only be guided by the statement made by the Chancellor which includes 30th June payments. This may give an unfair advantage to large businesses on these VAT staggers.
- We recommend that large businesses in this position take into account the possibility of changes to these dates when they are forecasting cashflows for the 05/20 balancing payment.
- If your turnover has been severely affected, discuss the possibility of reducing your POA’s with HMRC for the remainder of the year.

Is there anything else I should know?

- We recommend that all businesses continue to prepare their VAT returns and submit them on time. This is to protect against the default surcharge regime after the deferral period.
- If you pay by direct debit please cancel it, as HMRC will not automatically defer the payment for you. They will still collect it.
- If the return is a repayment and you are expecting a refund from HMRC they will process it as normal. We recommend repayment returns are submitted as soon as possible.
- If your business is in danger of having to close as a result of this crisis, do not rush to deregister from VAT as it is still possible to claim back your VAT on costs in the meantime.

I am an overseas business does this apply to me?

I am a Charity or NFP entity, am I included even though I am not necessarily in business to make profits?

- HMRC's guidance has been updated to confirm that the deferral scheme applies to any UK VAT registration number. This is welcome news to overseas businesses and Charities who are registered for VAT in the UK.
- Previously the guidance said that it only applied to UK Businesses.

I have PAYE debts too – are these covered?

These are not covered by the automatic VAT deferral scheme. However, our experience is that HMRC are willing to support deferral of PAYE for 3 months. It is important that the business contacts HMRC before the due date of submission otherwise it will be deemed to be late and penalties will apply.

By speaking to HMRC and keeping them updated the best results will be achieved.

We will update you on this matter as any further developments arise.

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