



# VAT alert – Covid 19

## Deferred VAT payments update: UK Government updates and clarifies its guidance in relation to deferred VAT payments

### Summary

Last week the UK Government announced that VAT payments due between 20 March 2020 and 30 June 2020 will be deferred.

Additional clarification and updated information has now been made available with the result that, at present:

Any VAT liabilities built up during this time will be due on or by 31 March 2021.

These measures also include payments on account (POA) falling due between 20 March 2020 and 30 June 2020.

VAT refunds and reclaims will continue to be paid by HMRC as normal.

### Eligibility

All UK businesses are eligible.

Additionally, non-established businesses with UK VAT registrations are now able to take advantage of the deferral period.

### Access

Relief is automatic and permission is not required to defer VAT payable, nor are businesses required to defer. Payments for VAT due may continue to be made as normal.

It is not possible to accelerate your payment date to take advantage of this deferral period.

### Direct debit payments

HMRC has confirmed that businesses that are unable to pay and normally make payment by Direct Debit should cancel their Direct Debit in good time to ensure payment is not collected automatically.

### Covid 19 – help for all UK established VAT registered businesses

On Friday 20 March 2020, the UK Government announced that it is to support businesses and their cash flow during the Coronavirus crisis by offering all UK businesses a deferment from making any VAT payments for 3 months. Businesses are still required to charge UK VAT where appropriate and should continue to account and submit VAT returns in the normal way.

Additional clarification and guidance has now been issued by HMRC and the key updates are as follows:

- The deferral period has been confirmed as 20 March to 30 June 2020.
- Any VAT payments deferred will be due on or by 31 March 2021.
- Deferral of VAT due is now available to non-established VAT registered businesses who will also be able to postpone their VAT payments until 31 March 2021.
- HMRC has confirmed that businesses wishing to defer VAT payable do not need permission but *do* need to cancel Direct Debits as soon as possible to ensure payment is not taken automatically.
- VAT Payments on Account (POA) are also eligible for deferral.

This means that for UK businesses they will not need to pay HMRC any VAT liabilities which fall due within the period from 20 March 2020 to 30 June 2020. No VAT registered business will have to make a VAT payment normally due with their VAT return to HMRC in that period, although they may choose to do so.

HMRC has confirmed that, during the period to 30 June 2020 it will offer a light touch approach to repaying refunds of VAT, with the aim of releasing funds to businesses as quickly as possible. HMRC may still choose to check these at a later date.

For taxpayers who make payments on account (POA) which are due to be paid during the period these payments can also be deferred. Any liabilities created by these deferred payments will also be due on or by 31 March 2021.

HMRC has advised businesses who make payments by Direct Debit and are unable to make payment to cancel their Direct Debit, advising that this should be done in good time to ensure payments are not collected automatically.

We expect the surcharge default system to continue encouraging taxpayers to file VAT returns by the relevant filing deadlines. Surcharge liability notices may be issued where VAT returns have not been filed and have the potential to create surcharges being levied over the next 12 months. Should you find yourself in a situation where you cannot file due to Making Tax Digital or difficulties with the online portal we suggest speaking to HMRC on the VAT helpline as soon as possible.

### How Grant Thornton can help

Grant Thornton has extensive experience of working with clients to remain compliant whilst improving cashflow. We also have a team of specialist customs advisors who are able to advise on reliefs and measures available to improve cashflow when trading overseas.

Should you wish to discuss how this may affect your business, please get in touch with one of our specialists below who will be happy to assist, or your usual Grant Thornton contact.

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