



Whittles Guide to the Coronavirus HMRC payments

June 2020

To help businesses and self-employed workers manage their cash flow during the pandemic, HMRC has introduced some short-term financial relief measures in the form of deferred payments.

Allowing people more time to pay their tax bills go some way to reducing the commercial and financial impact to enable professionals to utilise their cash reserves towards more immediate expenses.

VAT

HMRC deferred VAT payments that become due between 20 March and 30 June 2020.

This was a temporary change to VAT payments with the deferral period ending on 30 June 2020. This means businesses now need to:

- set-up cancelled direct debits in enough time for HMRC to take payment;
- submit VAT returns as normal, and on time; and
- pay the VAT in full on payments due after 30 June.

Any deferred VAT payments should be paid in full on or before 31 March 2021. Additional payments can be made with subsequent returns.

SELF-ASSESSMENT

In addition, HMRC has confirmed that the second self-assessment payment on account for the tax year 2019/20 due on 31 July can be deferred until January 31, 2021. No interest or penalties will arise and deferral is automatic with no applications required.

The deferment is optional. Those who are still able to make July payments are encouraged to behave as 'good citizens' and pay the tax they owe on time. Some taxpayers may simply prefer to make the July payment to avoid a larger payment in January 2021.

TIME TO PAY

Businesses and self-employed workers who are in financial distress and owe outstanding tax can also apply for a [‘Time to Pay’](#) arrangement. This provides a pre-agreed, time-limited deferral period to pay what you owe HMRC.

QUARTERLY INSTALMENT PAYMENTS

Additionally, businesses within the quarterly instalment payment regime may have already made instalment payments of corporation tax to HMRC based on profit forecasts made prior to the outbreak of COVID-19. Such companies may be entitled to a repayment of overpaid quarterly instalment payments under Regulation 6 of SI 1998/3175.

TAX PLANNING

Whilst deferring your tax bill may seem an easy decision, there could be financial implications by choosing to delay payment.

In terms of forward planning, it may also help to have your business accounts that end in the 2019/20 tax year prepared as soon as possible so that you have early visibility of your January 2021 tax liability.

If you would like to discuss how these deferral arrangements may be of relevance to your business, please contact [Rachel Skells](#), [Michael Greene](#) or your usual Whittles contact