

# Coronavirus Advice for Businesses – 23 March 2020

## TIME TO PAY (TTP) ARRANGEMENTS

*'All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC's Time To Pay service. These arrangements are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities.'*

*'If you are concerned about being able to pay your tax due to COVID-19, call HMRC's dedicated helpline on 0800 0159 559.'* – From the gov.uk website.

A TTP is an arrangement to allow a business suffering temporary financial difficulties to pay its tax liabilities over an extended period of time rather than on the day they fall due. VAT, PAYE and Corporation Tax can all be subject to TTP arrangements.

Following announcements on the 20 March 2020 TTP arrangements will only be needed for PAYE and Corporation Tax deferral whilst the VAT and Income Tax deferral schemes are in place. Once those schemes come to an end, TTP options will be open again. This will remove some of the strain on HMRC contact centres in the short-term.

TTP is appropriate where the business is suffering temporary financial difficulties rather than fundamental ongoing financial difficulties. In this regard, the government has already recognised that TTP is a valid route for businesses suffering as a result of the current ongoing Covid-19 pandemic.

The government has set up a dedicated HMRC Coronavirus Helpline - **0800 015 9559**. This helpline is currently open Monday to Friday 8am to 8pm and Saturday between 8am and 4pm. HMRC has stated that this helpline can be used to:

- Agree instalment arrangements
- Suspend debt collection proceedings
- Cancelling penalties and interest where you have administrative difficulties contacting or paying HMRC immediately

We can help you with this process or you can call the helpline yourself. HMRC prefer that they are approached before the liability falls due though historically, they have still considered matters if they were contacted after the due date.

In normal circumstances during the call you would need to explain what has caused the problems and have a clear idea of how much you could afford to pay (ideally supported by cashflow projections). Typically, HMRC have tried to keep the length of TTP arrangements to 6 months or less though longer arrangements have been achieved in the past. Things might be slightly different in the current climate; we have seen instances of HMRC simply 'parking' payments for 2 months to allow some time for conditions to improve. It seems that HMRC are being helpful, but we anticipate that they will be receiving a very large number of calls.

If you or your accountant is unable to speak to HMRC in the days approaching your due date for payment, as an additional option, you may wish to write to HMRC, setting out the reasons for your late payment and that you would wish to agree a TTP arrangement, but haven't been able to make contact with HMRC. Post it so that it is recorded as being delivered. We expect that this would avoid any eventual penalties when HMRC are able to revert to a normal level of activity.

## **"TIME TO PAY PLUS" ADDITIONAL MEASURES ALLOWING THE DEFERAL OF VAT AND INCOME TAX ANNOUNCED**

In a measure to probably take the pressure off HMRC's TTP teams, a new VAT and Income Tax deferral scheme was announced by Rishi Sunak. We understood that HMRC were agreeing nearly all Time To Pay requests so this announcement really just formalises the situation and with some clients

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reporting waiting times on the phone of around 2 hours it's clear that the system was nearly at breaking point.

## **VAT**

The scheme, open to all UK businesses and automatic so no application required. It will allow the deferral of VAT payments from 20 March until 30 June 2020. This effectively covers a whole quarter of payments.

VAT due on any periods ending on 29 February 2020 would have been due by 7 April which is within the deferral period. The key to watch here is that for February stagger periods the May VAT liability will still be due on 7 July 2020.

Businesses have until the end of the 2020-2021 tax year so in theory 5 April 2021 to settle the deferred amounts accrued during this period.

If there is a downturn in trade, this would affect the next quarter's VAT due anyway, and any repayments are being processed as normal.

VAT refunds and reclaims will be paid by the government as normal.

We are trying to find out more information on exactly how this will work. We expect VAT returns will still need to be submitted on time. We assume that HMRC will simply not collect the DD payments for those that pay by DD but at the time of writing we are awaiting confirmation.

## **INCOME TAX**

The next announcement should really help the self-employed. Second Payments On Account (POA's) were due on 31 July 2020. These are now also deferred until 31 January 2021 where the balancing payment for the tax year 5 April 2020 and first POA for the following year are due.

Again this is an automatic scheme open to all tax payers in Self-Assessment (SA). It will be important to get 5 April 2020 tax returns done quickly to establish the true liability so that cash flow planning can be done ahead of January 2021.

The government website says that no penalties or interest will be charged in the deferral period.