

Coronavirus Advice for Businesses – 5 November 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.’ 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.

Please note that you are not permitted to defer PAYE payments due in months where you have made a claim for this expense under the Coronavirus Job Retention Scheme.

VAT

The VAT scheme allowed the deferral of VAT payments normally due between 20 March and 30 June 2020. The deferral period covers one VAT quarter, four monthly instalments towards annual accounting, or three payments on account. The deferred VAT will need to be paid by 31 March 2021.

If you had cancelled your VAT Direct Debit, it is vital that this is re-instated now so that the next VAT payment is not missed. If the next instalment is missed you will be subject to a VAT surcharge.

A reduced 5% VAT rate on hospitality sectors

The Chancellor announced at the start of July a temporary reduction in the VAT rate for companies operating in the hospitality, holiday accommodation and attractions sectors. It is not a statutory requirement to pass this cost saving on to your clients, so you could increase your profit margin by up to 12.5%. This change is effective from 15th July 2020 until 31st March 2021.

For further details on how the reduced rate scheme works, click [here](#), or get in touch with our VAT Consultant, [Alison Sampson](#).

Income taxes

Second Payments On Account (POA's) are 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.

No penalties or interest will be charged in the deferral period.

Other taxes

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Payroll taxes (PAYE and National Insurance), Duties and other taxes (e.g. Capital Gains Tax, Corporation Tax, Stamp Duty etc.) do not have an automatic deferral scheme. Therefore, if you wish to defer payments of these longer than the due date, you are required to obtain agreement from HMRC, or you will be subject to a fine or penalty.

Existing TTP arrangements

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 024 1222**. 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 cash flow 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. As stated above, you do not need to make contact with HMRC at all, unless you are already under a TTP arrangement which you cannot meet.