

Coronavirus Advice for Businesses – 9 April 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.

VAT

The scheme is open to all UK businesses and automatic so no application is required. It will allow the deferral of VAT payments normally due between 20 March and 30 June 2020. The deferral period could cover 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.

VAT periods ending on 29 February 2020 would have been due for payment 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 (unless the deferral period is extended).

HMRC state that VAT repayments and refunds are being processed as normal, but this could be affected by staffing levels at HMRC.

All VAT returns still need to be submitted on time.

It is vital that clients cancel their VAT Direct Debits, as it is not clear whether the HMRC IT system will be changed. It is essential that the VAT DD is re-instated in time for subsequent VAT payments – unless the deferral period is extended.

Income taxes

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.

Other taxes

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. In our experience, all deferrals are being agreed so far.

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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 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. As stated above, you do not need to make contact with HMRC at all if you are deferring your next quarter's VAT, unless you are already under a TTP arrangement which you cannot meet.