

SUPPORTING BUSINESS DURING CORONAVIRUS

TAX PAYMENT DEFERRAL ARRANGEMENTS

PREPARED BY
OPTIMAL COMPLIANCE
ON MARCH 24, 2020



TAX PAYMENT DEFERRAL ARRANGEMENTS

There are a number of options for businesses looking to defer tax payments where cash-flow difficulties are being (or are expected to be) experienced. We have summarised below the different options available in these circumstances. In general, we expect HMRC to be accommodating to businesses who are suffering from cash-flow difficulties arising from Coronavirus. However, like all lenders, in cases where the debts are substantial, HMRC are likely to ask for cash-flow forecasts that show that the debt can be repaid.

Please contact your client manager at OC if you would like assistance with any type of funding arrangement. We are happy to assist you with putting together any financial reports that you may be asked for when you apply.

TIME TO PAY ARRANGEMENTS (TTP)

TTP arrangements have been available to businesses for many years, as a way of agreeing to settle a tax liability over an extended period. The Chancellor announced last week (16 March) that HMRC would be open to negotiating more generous TTP arrangements than usual, where the debt has arisen from circumstances relating to Coronavirus. Normally TTP arrangements are limited to 12 months so we presume that longer arrangements will now be available (likely up to 24 months). Before you call HMRC to agree a TTP, you should prepare the following:

- Explanation of the reasons for requesting the arrangement (linked to Coronavirus).
- Explanation of other commercial funding in place and/or applied for, or confirmation that further commercial funding is unavailable following enquiry.
- Work out the total amount of the liabilities that you wish to spread over a longer period. TTP arrangements can include all business taxes.
- Calculate how much cash the business can afford to outlay each month in respect of these liabilities. Take into account any anticipated revenue reductions due to Coronavirus.
- Divide the total liabilities by the affordable monthly payment amount - this will give you an idea of the number of months over which the liability should be spread.
- HMRC will almost always agree to a payment plan up to 12 months. However, in the current circumstances, we believe that HMRC will agree to payment plans up to 24 months.

TIME TO PAY ARRANGEMENTS (TTP)

There are a few other points that we would normally consider when approaching HMRC for a TTP arrangement:

- If you have an existing TTP arrangement that pre-dates Coronavirus, see the section below regarding renegotiating existing TTPs.
- Aim to contact HMRC to agree a TTP before the due date for the payment that you wish to defer (see page 7 for payment due dates). If the payment due date has passed, contact HMRC as soon as you can.
- You should offer payment by Direct Debit as this shows willingness to settle the liability (sometimes this can be a condition of the arrangement).
- Remember that TTPs are agreed by human beings, not a computer - treat the HMRC officers well and (in our experience) they will normally help you.
- Note that TTP debts accrue interest, currently at 3.25% per annum, normally lower than commercial debts.

We are happy to assist you in agreeing a TTP with HMRC. Please contact your client manager at OC if you would like our assistance.

VAT

The Chancellor has announced a deferred payment scheme for VAT payments due between 20 March and 30 June. Practically, this means the payments for the quarters ending on the last day of February, March, and April. The due date for these payments will be extended automatically to 31 of March, 2021. There is no need to apply for this deferral. However, most businesses pay their VAT by Direct Debit, and we do not expect that the Direct Debit system will have been updated to accommodate this change.

Therefore, we strongly advise all clients wishing to benefit from this deferral to cancel their VAT Direct Debits with their bank on or before 31 March (three working days before the due date).

PAYE AND CORPORATION TAX

At the time of writing (24 March), no specific measures have been announced regarding PAYE, therefore we recommend that these payments are deferred using a TTP as outlined above. For Corporation Tax payments due now in relation to previous years, please contact your client manager at OC in the first instance, as they may be able to assist with making adjustments to your accounts in light of the current circumstances. If this is not possible, then normal TTP arrangements will apply.

OFFSETTING REPAYMENTS AND LIABILITIES

HMRC have emphasised that they are happy to offset repayments and liabilities on different taxes (this has always been an option but has rarely been advertised). Specifically, businesses are likely to be able to offset the following types of repayment against other HMRC liabilities:

- **CT repayments resulting from R&D tax credits**
- CT repayments resulting from loss carry-backs
- VAT repayments
- PAYE credits resulting from overpayments or statutory payment reclaims (e.g. SMP)

We would strongly advise clients to consider whether they might be due any type of refund on any tax.

If you have been considering making a R&D tax credit claim then now would be a good time to get started—you can generally claim for the last two years, and our R&D team can put together a claim for you remotely without needing to visit your premises. Resulting tax credits are normally approved by HMRC within 28 days.

OFFSETTING REPAYMENTS AND LIABILITIES

Existing TTP Arrangements

If you have an existing TTP arrangement that pre-dates Coronavirus, in the current circumstances it would not be unreasonable to renegotiate the terms. If the business is suffering (or is expected to suffer) from cash-flow difficulties resulting from Coronavirus, we would recommend that existing TTP arrangements should be renegotiated on the flexible basis outlined above. In most cases this will mean spreading the remaining balance on the existing TTP over a longer period, up to 24 months. At the time of writing (24 March) we are in the process of renegotiating existing TTPs on behalf of a number of clients and we will update this section with our findings.

NORMAL DUE DATES FOR PAYMENTS

PAYMENT TYPE

PAYMENT DUE

VAT

QUARTER ENDED **29 FEBRUARY**

PAYMENT DUE **7 APRIL**

QUARTER ENDED **31 MARCH**

PAYMENT DUE **7 MAY**

QUARTER ENDED **30 APRIL**

PAYMENT DUE **7 JUNE**

PAYE

MONTH ENDED **31 MARCH**

PAYMENT DUE **22 APRIL**

MONTH ENDED **30 APRIL**

PAYMENT DUE **22 MAY**

MONTH ENDED **31 MAY**

PAYMENT DUE **22 JUNE**

SELF-ASSESSMENT

SECOND PAYMENT ON ACCOUNT
FOR 2019-20

PAYMENT DUE **31 JULY**

AUTO-DEFERRAL OF JULY SECOND POA

DEFERRAL OF PAYMENT

PAYMENT DUE
31 JANUARY 2021

NORMAL DUE DATES FOR PAYMENTS

USEFUL CONTACTS

HMRC CORONAVIRUS HELPLINE

0800 015 9559

MONDAY TO FRIDAY 8AM TO
8PM, SATURDAY 8AM TO 4PM

HMRC PAYMENT SUPPORT SERVICE

0300 200 3835

MONDAY TO FRIDAY 8AM TO
8PM,

HMRC References (have these on hand when you call)

VAT - VAT Registration Number (format: nnn nnnn nn)

Corporation Tax - Company Unique Tax Reference
(format: nnnnn nnnnn)

PAYE - Accounts Office Reference (format:
nnnPAnnnnnnnn)

PAYE - Employer Reference (format: nnn/AAnnnn)

Self-Assessment - Personal Unique Tax Reference
(format: nnnnn nnnnn)