



New VAT Deferral Scheme

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BACKGROUND:

To support businesses through Covid-19 the UK Government announced that VAT payments could be deferred for three months. The deferral applied to VAT payments due between 20 March 2020 to 30 June 2020. Businesses were not required to notify or apply to HMRC if they wished to defer their VAT payments and were given until 31 March 2021 to settle the VAT liability.

This has been extended and further support was provided as part of the Winter Economy Plan allowing businesses to exercise an option to pay the deferred VAT deferred in 11 equal installments by 31 March 2022, interest-free. This is known as the New Payment Scheme.

HOW DOES THIS WORK?:

In order for businesses to utilise this option, they must 'Opt-In'. The process requirements will be released in the early part of 2021, with further guidance due in the coming months.

PAYMENT ON ACCOUNT AND ANNUAL ACCOUNTING SCHEMES:

Businesses using the Payments on Account or Annual Accounting Schemes also qualify for this deferral where these payments were due between 20 March 2020 and 30 June 2020 provided they opt-in.

WHAT DOESN'T QUALIFY FOR DEFERRAL:

- Time to pay arrangements relating to payments due before 20 March 2020.
- Any VAT due as a result of assessments raised by HMRC or error corrections made to HMRC.
- Payments of import VAT or customs duties.

BUSINESSES IN DISTRESS:

Distressed businesses or businesses having difficulty in paying the outstanding VAT on time, should contact HMRC's dedicated Covid-19 time to pay helpline on 0800 024 1222 at the earliest opportunity to discuss their situation. A&M have extensive experience in preparing time to pay proposals and can support clients through this process.

WHAT TO DO NEXT:

Businesses should check to see whether any VAT was deferred between 20 March 2020 – 30 June 2020 and calculate the outstanding amount due to HMRC. They will need to either:

- Choose to pay the deferred amounts in full by March 2021; or
- Opt-in to the New Payment Scheme and submit a request to make smaller payments, paying the outstanding amount in full by 31 March 2022.

FURTHER GUIDANCE:

Further guidance can be found at the following link:

<https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19>

HOW A&M CAN HELP:

Our UK Indirect Taxes team is already assisting clients understand the impact of COVID-19 crisis on their specific business and needs. If you would like to discuss a particular case or, more generally cashflow opportunities, then please reach out to any of the authors or your usual A&M tax adviser.

Source URL:<https://www.alvarezandmarsal.com/insights/new-vat-deferral-scheme>

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