



DEFERRED VAT FROM 2020 ? WHAT ARE YOUR OPTIONS NOW ?

BACKGROUND

Where you took advantage of the ability to defer the payment on a business VAT return between **March and June 2020**, and there remain full or partial payments still outstanding to HMRC – you may be expecting to have to clear that debt by March 2021.

However, following the commencement of the most recent lockdown - **the Government has made a new announcement to assist businesses to manage this COVID related debt.**

Therefore the options available to businesses in respect of this deferred VAT amount, now include the following:

1. **Pay** - the deferred VAT amount in full on or before 31st March 2021
2. **Opt in** - to the VAT deferral new payment scheme (when it launches shortly)
3. **Contact HMRC** - if you need more help to pay ('**Time to Pay**' arrangement)

WHAT ARE THE OPTIONS FOR MY BUSINESS ?

1. Pay – the outstanding deferred VAT

Where you are planning to pay the deferred VAT in full by **31st March 2021**, then you can go ahead and ensure the payment(s) are made by the deadline.

There is no requirement to make any further contact with HMRC on this basis.

2. Opt in - to the new HMRC payment scheme

The new HMRC payment scheme allows businesses that cannot pay the full amount by the end of March 2021, then they can make up to 11 smaller monthly instalments, all of which are interest free.

It should be noted that all instalments must be paid as they fall due and ensure that the deferred VAT is paid in full by the end of **March 2022**.

The benefits of opting in the new scheme are that it allows businesses to:

- pay the deferred VAT in instalments - **without adding interest**
- select the number of instalments required from **2 to 11 equal monthly payments**

Before '**opting in**', businesses should pay as much as possible against the remaining deferred VAT amount and consider the number of instalments that will be simplest for them to clear the VAT debt in full e.g. from 2 to 11 months

PLEASE NOTE –

- HMRC's online '**opt in**' process is not currently 'live' but is expected to be available to taxpayers shortly, AND
- Most importantly, like the SEISS claim process - the '**opt in**' process must be dealt with by the business itself i.e. your Agent (**Sakura cannot** do this for you).



3. Contact HMRC

A business can always contact HMRC separately to discuss and agree on a '**Time to Pay**' arrangement – however interest will be charged on these arrangements.

ELIGIBILITY CRITERIA

The criteria for a business to be able to '**Opt in**' to the new payment scheme are as follows:

1. there remains an amount of deferred VAT to pay
2. all other VAT returns are currently up to date
3. they have completed the '**opt in**' process before the end of March 2021
4. pay the first instalment before the end of March 2021
5. ensure that the payments are made as per the arrangements by Direct Debit

There is no requirement that where a business **opts in** to the new payment scheme, that it cannot still have other separate '**Time to pay**' arrangements with HMRC for other tax debts.

FINALLY PLEASE NOTE -

Before opting in you must:

- create your own **Government Gateway** account if you don't already have one
- submit any outstanding VAT returns from the last 4 years. **You will NOT be able to take advantage of the extended scheme if you have not done so**
- correct errors on your VAT returns as soon as possible. Corrections received after 31 December 2020 may not show in your deferred VAT balance
- make sure you know how much you owe, including the amount you originally deferred and how much you may have already paid