



HMRC AND TAX PAYMENTS – WHAT TO DO IF YOU CANNOT PAY (ON TIME)

BACKGROUND

With the last 18 months having been a '**challenging**' period for many businesses, and in many cases a period where paying VAT, Corporation tax and other liabilities has been difficult, being able to successfully deal with HMRC is absolutely key.

Although there have been a number of Government supported schemes to help businesses to manage various VAT and other liabilities from 2020, these have mostly come to an end in 2021 and do not cover more recent activity.

So if YOUR business is still struggling for cashflow or dealing with lower levels of business activity even in 2021 – **How do you deal with HMRC in respect of tax liabilities ?**

KEY POINTS FOR A SUCCESSFUL ARRANGEMENT WITH HMRC

In very broad terms, if a business (or individual) cannot pay the tax that is due and payable to HMRC in full or on time, then HMRC will generally work quite sensibly with that taxpayer, even where that means taking a longer period to obtain full payment,

Ultimately HMRC want to ensure that they can obtain payment in full as soon as possible (for the public purse) and in a way that doesn't impact on current or future tax liabilities as well !

Probably the **MOST** important part of being able to obtain a successful outcome with HMRC, is to be proactive in contacting them at an early stage e.g. if you think that you will have significant problems making a payment to them.

Approaching HMRC early will always elicit a much more flexible response - **rather than waiting for HMRC to chase you for the appropriate payment !**

In most cases, HMRC will default to arranging a payment plan to ensure that the relevant tax liabilities are received in full – just over a longer period of time (and with interest charged for the service).

Typically this is called a '**Time to Pay**' arrangement and there are a number of key steps in agreeing a **Time to Pay** arrangement with HMRC, including

- Contacting them directly on the relevant helpline (**0300 200 3835**)
- Speaking with HMRC staff directly i.e. generally they will **NOT** speak to an accountant or Agent
- Providing additional information on your circumstances, your cash issues, other assets or funds potentially available to you
- HMRC will then agree to a longer term payment plan with or without a larger payment '**upfront**'
- Setting up a Direct debt arrangement for the agreed period of time (**and ensuring that you stick to it**)



WHAT HAPPENS IF YOU DO NOT ENGAGE WITH HMRC

If you **do NOT engage** or respond to HMRC when they contact you over unpaid tax liabilities, eventually they will use the powers that they have available to them to obtain payment from you – **in addition to interest and other collection charges etc !!**

Among those powers that HMRC can use with **'difficult'** taxpayers are the following:

1. **Visits** - HMRC can send officers to visit at your home or business, and ask you various questions about your financial situation, your ability to pay and whether you can/will agree to making payment in full payment or through a **'Time to Pay'** Arrangement
2. **Enforcement** – Where HMRC are unable to contact you or you refuse to pay what the tax liabilities they can resort to their variety of enforcement powers.
3. **Taking Possessions** - HMRC will warn you by letter with a final opportunity to pay the tax liabilities but otherwise can use **'Taking Control of Goods'** regulations to visit your home or office to remove possessions – **and will charge you for this service !** This can also involve the use of a locksmith to enter premises to remove the goods, if necessary.
4. **Taking Monies from your bank account** – HMRC can in certain circumstances take money (for debts) directly from bank and building society accounts.
5. **County Court Judgements** – HMRC can use the courts to obtain a County Court judgement against the business or individual to legally recover the tax liabilities, where there is a refusal to pay
6. **Charging orders** – A **'charging order'** is another type of order of the court, and stops a debtor from selling specified assets - without first paying what the court has ordered from any proceeds e.g. land or property, securities, stocks and shares etc.
7. **Attachment of Earnings** – HMRC can also in certain circumstance obtain recovery of any tax liabilities from individuals who are in PAYE employment e.g. a County Court can order that your Employer make deductions from your wages or salary and pay it directly to HMRC
8. **Insolvency** – As a final course of action against a taxpayer, HMRC can apply to the Courts to make a business or an individual insolvent e.g. typically the taxpayer has actively gone out of their way to avoid paying what they owe or are not being honest about their assets
9. **Bankruptcy and Winding up**- Again as a final course of action, HMRC can apply for the bankruptcy or winding up of a business (see above)
10. **Debt Collection Agencies** – HMRC also have the ability to enlist one or more debt collection agencies to contact the taxpayer on their, as another means of encouraging the settlement of the tax liabilities. These need to be regulated by the Financial Conduct Authority and must follow HMRC's processes at all times.

SOME PRACTICAL ISSUES

- Post the COVID pandemic, our experience is that HMRC are generally more amenable to agreeing **'Time to Pay'** arrangements with taxpayers more quickly and easily i.e. there are much less questions on circumstances and other assets and sensible arrangements appear to be agreed much more readily.



- **Always Remember !** – HMRC have enough issues with taxpayers who **HAVEN'T** made any efforts to contact or arrange payment of their tax liabilities and/or there are taxpayers who owe HMRC much more than you – **THAT**

if you are making efforts to resolve your situation and/or making some payments, then you will almost always get a reasonable hearing from HMRC **AND** you will be a long way down HMRC's list of taxpayers that require '**enforcement powers**' !

- **Otherwise contact HMRC EARLY and continue to COMMUNICATE with them !**

Contact the Sakura Team if you are struggling with your tax liabilities, need to make a disclosure or discuss a 'Time to Pay' arrangement !

Contact us on 0207 952 1230 or info@sakurabusiness.co.uk