



## LATE VAT RETURNS ? – DELAY TO THE NEW PENALTY REGIME FOR 2022

### BACKGROUND

With over 500,000 VAT returns being filed late to HMRC each year, HMRC had planned to change and reform the existing system of penalties and surcharge periods for late submission and/or late payment of VAT returns.

The view from Government was that an overhaul of the system would make the penalties much fairer and more consistent for taxpayers e.g. under the current system penalties/surcharges apply where a VAT return or payment is late - **AND both are due on exactly the same date !**

The new regime was based around separating out and applying penalties more specifically to

- late submission of VAT returns and/or
- the making of a late payment of VAT liabilities

The new **Late Payment Penalties** regime to replace the current **Default Surcharge system** was expected to apply for all VAT registered taxpayers from **1st April 2022**.

### WHAT HAS CHANGED ?

The Government has now announced that the introduction of the new **Late Payment Penalties** VAT regime will now be delayed **from 1st April 2022**, for a period of nine months, **until January 2023 !**

Among the reasons outlined by the Government for the delay to the introduction of the regime are:

- the range of additional challenges and uncertainty that businesses in the UK are currently facing e.g. ongoing COVID issues, staff challenges, the introduction of new taxes in April 2022
- HMRC requiring some additional time to ensure that the IT infrastructure changes necessary for the new penalties and interest charges to be introduced are in place

As a brief summary, the now delayed changes to the regime (**coming January 2023**) include the following:

1. Bringing the VAT penalty system in line with existing penalties which apply to direct tax returns
2. Introducing a fairer and more appropriate two-tier penalty system e.g. a late submission penalty alongside a separate a late payment penalty(**in two parts** – under 30 days late and over 30 days late)
3. Removing the '**surcharge**' approach, where businesses are not charged any penalties for late filing or payment of VAT returns for a period of time, and then suddenly receive a **very large** surcharge (of up to 15%) once they go over a '**threshold**' !

To find out more of the detail of the new **Late Payment Penalties** regime, see our previous Blog on this topic.

- <https://www.sakurabusiness.co.uk/have-you-submitted-vat-returns-late-beware-the-new-hmrc-penalty-regime-2/>

**Contact the Sakura Team if you are struggling with the submission or payment of your VAT returns, or if you need advice on avoiding VAT debts or avoiding surcharges. Contact us on 0207 952 1230 or [info@sakurabusiness.co.uk](mailto:info@sakurabusiness.co.uk)**