

## **Business Tax**

### **VAT Deferral Scheme Guidance**

Businesses that deferred VAT payments due between 20 March 2020 and 30 June 2020 are able to;

- Pay the deferred VAT in full, on or before 31 March 2021
- Join the new VAT deferral scheme (the online service is open between 23 February and 21 June 2021)
- Ask HMRC for extra help to pay by 30 June 2021

Failure to complete one of the above actions could lead to interest and penalties.

The new VAT deferral scheme allows you to pay deferred VAT in equal instalments, interest free and to choose the number of instalments. This will vary from 2 to 11 (depending on when you join).

To join the scheme;

- You must do this yourself
- Still have deferred VAT to pay and know how much you owe, including the amount you originally deferred
- Be up to date with VAT returns
- Join by 21 June 2021
- Pay the first instalment when you join

*Updated 26 February 2021*

### **VAT Deferral – New Payment Scheme**

Rishi Sunak, the Chancellor, announced his [Winter Economy Plan](#) yesterday which included details of the new [Job Support Scheme](#). The plan also contained other measures including.

- VAT deferral 'New Payment Scheme' which will give businesses which deferred VAT due in March to June 2020 the option to spread their payments over the financial year 2021-22. All businesses who deferred their VAT during the initial deferment period will be able to use the payment scheme as opposed to the VAT payments being due in full at the end of March 2021. Government will be putting in place an opt-in process in early 2021
- The temporary VAT reduced rate for hospitality and tourism will be extended from 12 January 2021 to 31 March 2021
- Access to the variety of finance schemes previously announced will be extended to 30 November for new applications, this includes the Bounce Back Loan Scheme (BBLs) and the Coronavirus Business Interruption Loan Scheme (CBILs)
- There will be enhanced time to pay arrangements for Self-Assessment taxpayers. Taxpayers with up to £30,000 of Self-Assessment liabilities due in July 2020 will be able to use HMRC's self-service Time to Pay facility to secure a plan to pay over an



additional 12 months which means tax liabilities which were due in July 2020 will not need to be paid in full until January 2022

*Updated 1<sup>st</sup> October 2020*

## **VAT hospitality rate**

- On 8 July, HMRC published new guidance on the temporary reduction in the VAT rate from 20% to 5% for supplies relating to hospitality, holiday accommodation and certain attractions.
- From 15 July 2020 to 12 January 2021, the reduced (5%) rate of VAT will apply to these supplies subject to meeting the criteria set out in the guidance.
- The following notices have also been updated to reflect this change:
  - [Food products \(VAT Notice 701/14\)](#)
  - [Catering, takeaway food \(VAT Notice 709/1\)](#)
  - [Hotels and holiday accommodation \(VAT Notice 709/3\)](#)
  - [Land and property \(VAT Notice 742\)](#)
  - [Tour Operators Margin Scheme \(VAT Notice 709/5\)](#)
- [The Value Added Tax \(Reduced Rate\) \(Hospitality and Tourism\) \(Coronavirus\) Order 2020](#) gives these changes their legal basis.
- The guidance also confirms that the relevant flat rate percentages for categories covered by the reduced rate will be adjusted temporarily. Further details are expected to be published soon.
- There may be situations where you receive payments or issue invoices before 15 July 2020 for supplies that take place on or after 15 July 2020.
  - More information about this can be found in sections 30.7.4 to 30.9.2 of VAT guide ([VAT Notice 700](#)).

See the brief addressing this change [here](#).  
The new guidance can be found [here](#).

*Updated 8 July 2020*

## **Updated VAT Deferral Guidance**

On 1 July 2020, the [guidance](#) was updated with information about the VAT payments deferral scheme ending on 30 June 2020.

*Updated 1 July 2020*

## **VAT Deferral End Date**

- HMRC [guidance](#) has been updated to reflect that the VAT payment deferral period will end on 30 June 2020.
- Businesses should set up cancelled direct debits in enough time for HMRC to take payment, submit VAT returns as normal, and on time, make VAT payments due after 30 June 2020 in full.
- VAT payments for any amounts deferred between 20 March and 30 June 2020 must be paid to HMRC on or before 31 March 2021.



Updated 19 June 2020

## Updated VAT Deferral Guidance

Government have updated the guidance on deferring VAT payments to confirm that only the following payments can be deferred:

- quarterly and monthly VAT returns' payments for the periods ending in February, March and April
- payments on account due between 20 March 2020 and 30 June 2020
- annual accounting advance payments due between 20 March 2020 and 30 June 2020
  
- The deferral does not cover payments for VAT MOSS or import VAT.
- Repayments will not be offset against any deferred VAT, but they will be offset against existing debts.
- If you choose to defer your VAT payment as a result of coronavirus, you must pay the VAT due on or before 31 March 2021.

View the updated guidance [here](#).

Updated 27 April 2020

## VAT Deferral

- HMRC have issued guidance setting out the process for deferring VAT payments for three months under Making Tax Digital (MTD).
- VAT deferral is available to all UK VAT registered businesses for a three-month period from 20 March 2020 and 30 June 2020.
- HMRC will continue to process VAT reclaims and refunds as normal during this time.
- HMRC's [guidance](#) on VAT referral will need to be used alongside [VAT Notice 700/22](#) to ensure full compliance with MTD.
- HMRC will not charge interest or penalties on any amount deferred.
- You will still need to submit your VAT returns to HMRC on time but will not be required to make the payment if you choose to defer.
- HMRC has also deferred MTD's mandatory requirement to report through digital links until their first VAT return period starting on or after April 2021.

Updated 15 April 2020

## Initial Guidance

- **VAT**
  - Government have deferred Valued Added Tax (VAT) payments for 3 months. This is an automatic decision and will not require businesses to apply
  - The deferral will apply from 20 March 2020 until 30 June 2020
  
- **Income Tax**
  - If you're self-employed, Income Tax payments due in July 2020 under the Self-Assessment system will be deferred to January 2021



- **Payment Issues and Time to Pay**

- HMRC are offering the opportunity for businesses and self-employed workers to discuss their difficulties in paying tax during this time.
- Some businesses and self-employed may be eligible to receive support through HMRC's Time to Pay service.
- HMRC state this will be judged on a case-by-case basis and will be tailored to individual's needs.
- Call HMRC's helpline 0800 0159 559 to discuss if you are concerned.

View the full guidance [here](#).

*Updated 27 March 2020*

*The information changes so rapidly and we will try our best to keep you updated but for full and accurate updates, we would recommend checking the Government website.*