

Dealing with VAT arrears – 13 January 2021

As part of the government response and financial support to businesses affected by COVID last year, VAT registered firms were allowed to defer payment of VAT falling due between 20 March 2020 and 30 June 2020.

When do you need to pay deferred VAT?

Initially, the government requested that payment of any deferred VAT be made on or before 31 March 2021.

For many VAT registered businesses affected by COVID disruption settlement of any outstanding VAT by the 31 March 2021 date may not be possible due to the continuing downward pressure on cash flow.

Could you take advantage of the new payment scheme?

Recognising this difficulty, government has now created a new payment scheme that will allow you to further delay repayments on an instalment basis such that any VAT owing is settled in full by 31 March 2022.

To use this scheme, you must:

- still have deferred VAT to pay
- be up to date with your VAT returns
- opt-in before the end of March 2021
- pay the first instalment before the end of March 2021
- be able to pay the deferred VAT by Direct Debit

If you opt into the scheme, you can still have a “time to pay arrangement” for other HMRC debts and outstanding tax.

How do we take advantage of this new scheme?

HMRC are setting up an online application process. This is still not available, and we will advise when it does open for applications. However, in order to take advantage of this scheme you must ensure that you:

- 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 join the scheme if you have not done so.
- Correct errors on past 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.

You should also:

- Pay what you can as soon as possible to allow us to show the correct deferred VAT balance.
- Consider the number of equal instalments you'll need, from 2 to 11 months.

We can help

If you need support to take advantage of this new payment scheme please call us on 01751 752210.