

Elman Wall's Head of VAT, Laura Chipp, gives her views on the deferral of this quarter's VAT payments



You may have seen from last night's Coronavirus news conference that the government announced that all VAT payments will be deferred until 30 June 2020. We wanted to provide some detail on this to hopefully give further peace of mind over the weekend.

VAT Payment Returns

- This deferment will apply to all UK businesses, and will be automatic. There is no need to apply for this or to notify HMRC that you will not be paying. There is no detail yet as to whether direct debits will be cancelled automatically, but if not, these will need to be cancelled for those of you who do pay by direct debit.
- Businesses will then have until the end of the 2020/21 tax year to pay VAT incurred throughout this period to 30 June. We expect this to mean that businesses would pay back throughout this year as and when they are able to, rather than having to make set installments, such that the full amount could be paid back on 5 April 2021, although we wouldn't necessarily recommend that.
- VAT returns are still expected to be submitted as normal.
- Depending on how things progress with the Coronavirus, it may be that this deferment period is extended in due course.

VAT Repayment Returns and Other Refunds

- VAT repayment returns will still be paid by HMRC as normal. Our advice to those of you who expect a repayment return is to get these in as soon as you can. The earliest date is the day following the end of a return period (so for a quarter ending 31 March, you can submit on 1 April if you are ready).

- TOMS annual adjustments can sometimes mean that a VAT return becomes a repayment return especially where there is very sadly a lack of sales in the quarter. I would therefore suggest that TOMS annual adjustments are calculated before the relevant return is submitted, to see if this is the case.
- We would also like to mention backdated VAT refunds. These will still be reviewed and processed by HMRC over this time. Where an opportunity for a repayment exists, our advice would be to look into these as and when you have the capacity to do so. There are planning opportunities here so please contact us.

Non UK Businesses

- HMRC's message states that the deferment applies to UK businesses, which unfortunately suggests that this will not be extended to non UK businesses (businesses not established in the UK).
- Many non-UK businesses are typically in a repayment position for VAT. These will still be paid out as usual by HMRC as above so let's get these in as soon as possible for you!

Finally, a word of caution...like many of the Coronavirus measures being announced, this is a deferral of paying liabilities to save cash in order to meet salary and other expenditures. All these amounts will need to be eventually paid, so please bear this in mind.

We will be back in touch early next week with advise regarding other announcement made by the Chancellor on Friday evening ,as well as details of emergency funding schemes when these become available.

Enjoy your weekend.

<https://www.youtube.com/watch?v=PUBbxlm9Etw&feature=youtu.be>



Sincerely,

Jonathan Wall
Managing Director



