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ALLENSACCOUNTS

PAYMENT OF DEFERRED VAT

HMRC has today updated its guidance on how to register for the online service to pay VAT payments deferred between 20 March and 30 June 2020.

Businesses who deferred VAT due from 20 March 2020 to 30 June 2020 have the following options:

1. pay in full on or before 31 March 2021 <https://www.gov.uk/pay-vat> ; or
2. join the VAT deferral new payment scheme – **the online service is open between 23 February and 21 June 2021**; or
3. contact HMRC by phone on 0800 024 1222 by 30 June if need extra help to pay.

Penalties and/or interest will be charged if a business with a deferred VAT liability doesn't take one of the above options.

HMRC's updated guidance can be accessed at <https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19>

Joining the New Scheme

The VAT deferral new payment scheme will be open from 23 February up to and including 21 June 2021.

The new scheme lets a business pay their deferred VAT in equal instalments, interest

free; and choose the number of instalments, from two to 11 (depending on when join).

It is important to note that in order to use the online service, businesses and sole traders registered for VAT must:

- join the scheme themselves – **agents such as ourselves cannot do this for you**;
- still have deferred VAT to pay;
- be up to date with VAT returns;
- join by 21 June 2021;
- pay the first instalment when they join; and
- pay instalments by direct debit (if want to use the scheme but cannot pay by direct debit, there's an alternative entry route).

If a business joins the scheme, they can still have a Time to Pay arrangement for other HMRC debts and outstanding tax.

Anyone on the VAT Annual Accounting Scheme or the VAT Payment on Account Scheme will be invited to join the new payment scheme later in March 2021.

Instalment Options

The month a business decides to join the scheme will determine the maximum number of instalments that are available. If a business joins the scheme in March, it is able to pay its deferred VAT in 11 instalments or fewer.

The table below sets out the monthly joining deadlines (to allow for direct debit processing) and the corresponding number of maximum instalments (including the first payment):

If you join by:	Number of instalments
19 March 2021	11
21 April 2021	10
19 May 2021	9
21 June 2021	8

Before Joining the Scheme

Before joining the scheme a business:

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- must create its own Government Gateway account (if not already have one);
- submit any outstanding VAT returns from the last four years – otherwise the business will not be able to join the scheme;
- correct errors on VAT returns as soon as possible; and
- know how much is owed, including the amount originally deferred and how much already paid.

Any business that wants to join the scheme but instable to use the online service should call 0800 024 1222 once the scheme has opened.

The Team at Allens



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