

VAT – THINGS WORTH CONSIDERING IN LIGHT OF COVID-19

This resource covers Government announcements as at 20 March 2020.

At this challenging time, many businesses will be looking at the impact of the Covid-19 health emergency on their businesses. As well as the potential need to defer the payment of VAT return liabilities, there are several VAT procedures that businesses may benefit from considering, that can easily be overlooked in more normal times.

VAT Return Payments

The Chancellor of the Exchequer has announced that businesses will not be obliged to pay any VAT due between now and the end of June. The amounts due during this period will need to be paid by the end of the 2020–2021 tax year. This is an automatic offer for which no application is required.

If you have a direct debit instruction for your VAT return liabilities and you wish to defer your VAT payment during this period then you will need to cancel the direct debit instruction with the bank as soon as possible to avoid the payment being taken out automatically by HMRC.

VAT returns that result in a reclaim of VAT will still be paid by HMRC as normal.

Time to pay agreements can be made with HMRC. If you are concerned about paying your VAT liabilities before March 2021, you can call HMRC's helpline for help and advice: 0800 0159 559.

For those who are unable to pay due to coronavirus, HMRC will discuss your specific circumstances to explore:

- agreeing an instalment arrangement
- suspending debt collection proceedings
- cancelling penalties and interest where you have administrative difficulties contacting or paying HMRC immediately

VAT Returns

To safeguard the business from penalties, VAT returns will still need to be submitted on time (particularly if the business has not already contacted HMRC on the COVID-19 helpline). If it is not possible to fully



complete the return, then consider submitting what you have and catch up in a later return.

If the relevant staff are working from home, it is critical to consider whether the VAT return can be prepared and submitted remotely, especially if specialised MTD software is being used. If you will struggle to submit your VAT return contact HMRC before the filing deadline.

There will be leniency on interest and penalties on returns submitted late due to Coronavirus but you will need to appeal.

VAT Cash Flow

Optimising the VAT flow through a business can make a significant difference to overall cash flows.

Things to think about include:

- If the business is (or will be) in a repayment position, consider:
 - If the current VAT return stagger is appropriate and whether the business can move to monthly returns
 - consider whether the VAT return can be submitted more quickly; and
 - HMRC often query a return if it looks very different to previous returns. Think about how you can efficiently manage the process of getting the repayment authorised. It is often worth contacting HMRC in advance of an unusual repayment return to avoid delays.
- If the business is obliged to make payments on account (where a business pays at least £2.3 million a year), can these be reduced or even removed entirely if the revised forecast trading position is significantly different to the prior year?
- Is bad debt relief being claimed?
- Is VAT claimed on purchases at the earliest possible time and are accruals used where possible? Where book-keeping or invoice processing results in VAT being recovered in a later period than the purchase invoice was received, accruals can be agreed to accelerate the recovery of VAT.
- Are invoices raised at the optimal time to defer the point at which VAT becomes due to HMRC?
- Are there any HMRC schemes like cash or annual accounting that could be of benefit that are not currently being used?



Other VAT Issues

- Are you recovering all the VAT that you are entitled to? It is easy to miss out on VAT recovery on some invoices especially on employee expenses and mileage or one-off transactions.
- Partial Exemption – is your partial exemption or business/non business method appropriate and as efficient as it can be?

The position is changing very quickly and this piece has been prepared for general advice only. It is possible that new information will be released in due course and you should check to ensure that no new announcements have been made. Additionally, the above represent some general ideas on how businesses could use VAT to drive cash flow. Ultimately, potential VAT cash flow opportunities will be unique to the trading operations and how each business is structured.

Further information on VAT schemes

Cash Accounting – <https://www.gov.uk/vat-cash-accounting-scheme>

Annual Accounting – <https://www.gov.uk/vat-annual-accounting-scheme>

VAT payments on account – <https://www.gov.uk/guidance/vat-payments-on-account>

Reclaim VAT on staff travel – <https://www.gov.uk/reclaim-vat/staff-travel>

Relief from VAT on bad debts – <https://www.gov.uk/guidance/relief-from-vat-on-bad-debts-notice-70018>

