

Subject: COVID - VAT Guidance

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As many clients will be starting to look at VAT returns for the quarter ended 31 March 2020 we thought we would remind of you of one of the most simple government measures introduced as a result of the Coronavirus pandemic.

VAT Payment Deferral

VAT registered business are not required to make VAT payments due between **20 March 2020 and 30 June 2020**.

This relief is automatic i.e. it does not need to be claimed and no application or notification need be filed with HMRC.

The VAT liability and payment are not cancelled and any deferred VAT liability will need to be settled by 31 March 2021.

HMRC have said that they will not charge interest or penalties on any amount deferred as a result of this announcement. This is effectively an interest free government loan until 31 March 2021.

Businesses are still required to file VAT returns by the due date. If the return is filed late a business will be treated as making a 'default' under the surcharge regime.

VAT refunds are not affected and will still be made. If a business defers a payment under the scheme and then submits a repayment claim in a later

quarter, HMRC have indicated that they will offset that repayment against existing debt from before the deferral period (in the normal way), but will not set it against any deferred VAT payments.

This deferral measure will apply to VAT payments due for the VAT quarters:

- 29 February 2020 – normal payment deadline 7 April
- 31 March 2020 – normal payment deadline 7 May
- 30 April 2020 – normal payment deadline 7 June

The deferral also applies to payments for monthly returns due between 20 March 2020 and 30 June 2020 and annual accounting advance payments due between the same dates.

<https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19>

Direct Debits

If you pay your VAT by direct debit **you must cancel the direct debit with your bank** if you wish to defer payment.

HMRC say '*Please do so in sufficient time so that HMRC do not attempt to automatically collect on receipt of your VAT return*'. This is usually at least 5 days before the payment is due to be taken.

Please do contact us to discuss any of the above in further detail.

The Allens Team



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