

COVID-19 VAT UPDATE

BUSINESSES NEED TO REINSTATE VAT DIRECT DEBITS

The deferral of VAT payments due to coronavirus comes to an end on 30 June and businesses need to take action to reinstate their direct debit mandates.

The VAT payment deferral means that all UK VAT-registered businesses have the option to defer VAT payments due between 20 March and 30 June 2020 until 31 March 2021.

However, we are reminding businesses that they need to take steps to reinstate their direct debit mandates so that they are in place in time for payments due in July 2020 onwards. Any outstanding returns should be filed and three working days should be allowed to elapse before reinstating the direct debit mandate.

We understand that HM Revenue & Customs (HMRC) will issue guidance on the end of the VAT deferral period very soon but, to be effective, direct debit mandates usually need to be set up three working days before a VAT return is filed.

Unfortunately, agents cannot set up direct debit mandates on behalf of clients; so the business needs to set up the mandate through their business tax account.

HMRC has confirmed that it will not collect the outstanding balance of deferred VAT when the direct debit mandate is reinstated. HMRC has made the necessary systems change to avoid this happening for businesses in MTD for VAT.

Arrangements will also need to be made to pay the deferred VAT by 31 March 2021; further guidance is awaited from HMRC on the mechanism.