

COVID-19: VAT and self-assessment payment deferral

Updated March 25: The UK government is supporting businesses during the coronavirus pandemic by deferring VAT and self-assessment payments for six months. ICAEW's Tax Faculty outlines how the proposed action will work.

Updated 25 March

Information on VAT has been updated in light of government announcements.

Under the government's proposals VAT payments being deferred will not now need to be made until the end of the tax year and no application is required. The [Tax Faculty](#) has sought clarification from HMRC about payments made by direct debit. Returns should still be filed on time.

VAT

The deferral for [VAT](#) payments applies from 20 March 2020 until 30 June 2020. All VAT registered traders are eligible. This will generally mean the deferral of one quarter's VAT: the payment due on 7 April, 7 May or 7 June 2020 or the monthly payments due on each of these dates. This is an automatic offer and no application is required. Businesses will not need to make a VAT payment during this period. The Tax Faculty has asked HMRC to confirm whether it will automatically suspend collection of direct debit payments of VAT during this period and is awaiting a response. If HMRC does not automatically suspend direct debit payments businesses will need to cancel their direct debit mandate and will need to remember to set it up again in due course. Agents cannot set up direct debit mandates on behalf of taxpayers.

[HMRC has confirmed that businesses will need to cancel their direct debits.](#)

Businesses that have a direct debit mandate in place to pay their VAT and wish to defer payment will need to contact their bank to cancel that mandate. This needs to be done before the direct debit is due to be collected.

Taxpayers have until the end of the 2020/21 tax year to pay any liabilities that accumulate during the deferral period. VAT refunds and reclaims will be paid by the government as normal. Businesses will also need to remember to reinstate their direct debit mandate once the deferral is over and to make arrangements to pay the accumulated VAT by the end of the 2020/21 tax year.

Businesses should continue to file their VAT returns by the due date.

Income tax

The deferral for [income tax](#) self-assessment applies to the second payment on account for 2019/20 due on 31 July 2020 which is deferred until 31 January 2021. Eligibility is limited to the self-employed ie, the deferral does not apply to those that are in self-assessment but are not self-employed. The Tax Faculty has sought

clarification from HMRC, but the current understanding is that the deferral applies to any taxpayer who was self-employed in the 2018/19 tax year on which the payment on account is based.

This is an automatic offer and no application is required. Very few taxpayers pay their self-assessment liabilities by direct debit because the system requires a separate direct debit mandate to set up for each individual payment. Any taxpayer that qualifies for the deferral and has already set up a direct debit mandate for the payment on account due on 31 July 2020 should consider cancelling it.

Self-assessment returns should still be filed by their due date and it may be advantageous to file the 2019/20 return as soon as possible after 5 April 2020. This might facilitate planning for the tax payment due in January 2021 and perhaps crystallise any refund due, including as a result of any loss relief available.

No penalties or interest for late payment will be charged in the deferral period.