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Factsheet for case GB-2020-12/534

## Deferral of VAT payments due to coronavirus (COVID-19)

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|              |  |
|--------------|--|
| Country      | United Kingdom, applies nationwide                             |
| Time period  | Temporary, 20 March 2020 - 30 June 2021                        |
| Type         | Legislation or other statutory regulation                      |
| Category     | Supporting businesses to stay afloat<br>– Deferral of payments |
| Case created | 13 April 2020 (updated 29 April 2020)                          |

### Background information

This measure was announced as part of Budget 2020 and is part of the raft of measures introduced to support businesses through the coronavirus crisis. The measure allows businesses to defer payment of VAT to HMRC until next year. Generally, businesses are required to submit a VAT return and pay the VAT they owe on a quarterly basis. However, in his statement on the 20th of March, the Chancellor announced that the next quarter of VAT payments would be deferred. Details are given on the Government's Business Support site.

The legislative background is the Coronavirus Act 2020, within section 79 (HMRC functions) - <https://www.legislation.gov.uk/ukpga/2020/7/section/76>

### Content of measure

#### Value Added Tax (VAT)

Generally, businesses are required to submit a VAT return and pay the VAT they owe on a quarterly basis. In his statement on 20 March, the Chancellor announced that the next quarter of VAT payments would be deferred. Details are given on the Government's Business Support site.

The deferral will apply from 20 March to 30 June 2020 and will be offered automatically so that businesses will not be required to make an application. All VAT-registered businesses will be eligible. Taxpayers will be

given until the end of the 2020-21 tax year to pay any liabilities that have accumulated during the deferral period. VAT refunds and reclaims will be paid by the government as normal. HMRC have advised that customers who normally pay by direct debit should cancel their direct debit with their bank if they are unable to pay. They should do in sufficient time so that HMRC do not attempt to automatically collect on receipt of your VAT return.

On 26 March, Her Majesty's Revenue and Customs (HMRC) issued further guidance on this scheme. This underlines that HMRC will not charge interest or penalties on any amount deferred as a result of the Chancellor's announcement. Businesses will still need to submit their VAT returns on time. VAT payments due following the end of the deferral period will have to be paid as normal, and HMRC have stated that further information about how to repay deferred VAT will be available soon.

Generally

## Use of measure

As yet unknown how many companies will take up this option. No information available.

## Actors, target groups and funding

| Actors              | Target groups | Funding        |
|---------------------|---------------|----------------|
| National government | All companies | National funds |

## Social partners

|                         |                |
|-------------------------|----------------|
| Role of social partners | No involvement |
| Form of involvement     | Unknown        |

This was a unilateral government measure and did not ensue as a result of social dialogue. However, it can be assumed that business groups at least were consulted with on an informal basis.

## Sectors and occupations

This case is not sector-specific.

This case is not occupation-specific.

## Sources

- 26 March 2020: UK Government Deferral of VAT Payments due to Covid-19 ([www.gov.uk](https://www.gov.uk))