COVID-19: Indirect tax announcements

Indirect Tax

29 April 2020

The government has announced a deferral of VAT payments, an extension to the MTD soft landing on digital links and easements for importers and exporters as part of a package of measures to help businesses deal with the COVID-19 response.

VAT payment deferral

On 20 March, the government announced that VAT payments due between 20 March 2020 and 30 June 2020 (except VAT MOSS payments and import VAT) can be deferred until 31 March 2021.

This deferral is available to all business with a UK VAT registration number (including non-established businesses) and is automatic, with no application or notification of HMRC required. It includes: payments for quarterly returns ending 29 February 2020 (if not already paid by 20 March 2020);

- payments for quarterly returns ending 31 March 2020 (payment due 7 May 2020);
- payments for quarterly returns ending 30 April 2020 (payment due 7 June 2020);
- payments for monthly returns where the payment is due between 20 March 2020 and 30 June 2020;
- payments on account where the payment is due between 20 March 2020 and 30 June 2020; and
- annual accounting advance payments due between 20 March 2020 and 30 June 2020.

If a business pays by direct debit, it will need to cancel its mandate in sufficient time to prevent payment being taken – HMRC will not automatically suspend collection of

direct debit payments.

HMRC have said that they will not charge interest or penalties on any amount deferred.

VAT refunds and reclaims will continue to be processed as normal – and we have encouraged HMRC to prioritise getting these funds back in businesses hands. If a business defers a VAT payment 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.

Businesses must continue to file VAT returns during the deferral period, and the normal filing deadlines still apply.

Making Tax Digital (MTD) and digital links

Businesses within the scope of the MTD for VAT rules are required to have digital links in place for any transfer or exchange of data between software programs, products or applications used. Although this requirement was subject to a one-year soft landing, which was due to expire from April 2020 (or 31 October 2020 for those who had a deferred commencement date), HMRC announced that all businesses within MTD for VAT (including both non-deferred and deferred populations) now have until their first VAT return period starting on or after 1 April 2021 to put digital links in place.

Importers and exporters

Although import VAT must still be paid as usual, HMRC announced a temporary tax-free treatment on imports of certain medical and hygiene products that assist with the COVID-19 response, in place until 31 July 2020 subject to fulfilling the qualifying criteria (https://tinyurl.com/qws6qjl). Exporters of personal protective equipment should note that there is a temporary requirement to have an export licence for shipping these goods outside of the EU and other specified countries (https://tinyurl.com/wyazg4d).