COVID-19: Indirect tax round up

Indirect Tax

01 July 2020

Our articles in the May (COVID-19: Indirect tax announcements) and June (COVID-19: Further updates for indirect tax) editions of *Tax Adviser* looked at the COVID-19 developments and easements for indirect tax. We set out below points to consider as certain temporary measures come to an end, including managing the repayment of deferred VAT return payments, as well as looking at what indirect tax assistance is still available.

End of the VAT deferral period

VAT payments due between 20 March 2020 and 30 June 2020 could be deferred until 31 March 2021. As this deferral period has now come to an end, taxpayers with a monthly or quarterly VAT return period ending on or after 31 May 2020, with a corresponding payment due on or after 7 July 2020, should ensure that this is still paid on time. This is the case even where the VAT return was submitted in June. If a direct debit mandate was cancelled for the deferral, it should be reinstated urgently and at least three working days before the VAT return is submitted, otherwise it risks the payment not being taken on time.

Paying deferred VAT back to HMRC

From 1 July 2020, taxpayers can start to make payments to HMRC to repay any deferred VAT debt and the balance must be cleared by 31 March 2021. It is possible to pay the VAT as a single lump sum or, alternatively, part payments can be made throughout the period so that it is paid in full by the deadline.

It should be noted that payments of VAT will be allocated to any pre-existing VAT debt that was on the account prior to the VAT deferral announcement, so this may need to be factored into the repayment schedule. Taxpayers who envisage financial difficulties in making a full repayment of pre-existing VAT debt, plus the deferred VAT, should contact HMRC at the earliest opportunity.

End of other temporary indirect tax COVID-19 measures

At the time of writing, the following easements have ended or are due to end:

- temporary licence for exporting personal protective clothing (PPE) ended at midnight on 25 May 2020;
- temporary zero-rating of PPE on domestic supplies ends on 31 July 2020; and
- temporary zero-rating for imports of PPE and certain medical equipment ends on 31 July 2020.

Discretionary waivers for time limits on exports and removals of goods

HMRC has updated its guidance (VAT Export and Removal of Goods from the UK) setting out the criteria where HMRC may grant a discretionary waiver on the time limits for export and for the removal of goods to EU member states where the goods have not left the UK due to the COVID-19 crisis. If a waiver is granted by HMRC, it will expire by the earliest of the following dates:

- one month after any government-imposed restrictions are lifted;
- one month after any COVID-19 impediment to the export or removal ceases; or
- when there is no longer an intention to export or remove the goods from the UK.

Financial assistance

If taxpayers are still experiencing financial difficulties due to the COVID-19 pandemic, they should contact HMRC about VAT on the COVID-19 helpline on 0800 024 1222. For importers, contact the Central Deferment Office at cdoenquiries@hmrc.gov.uk or by phoning 03000 594243.

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