



## Tax Update

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### Managing your VAT accounting

When cash flows are tight for businesses, it can be tempting to defer payment of tax liabilities, such as Value Added Tax, in order to buy a little more time. After all, if your customers have not been able to pay your invoices, how can HM Revenue & Customs require you to pay over the VAT that you have not yet received?

The trouble is, lack of funds to pay your VAT liability on time is normally not a reasonable excuse and they will usually take a robust approach to chasing any VAT that is not paid on time. Indeed, it is easy to slip into interest and increasingly expensive default surcharges if a business falls into arrears with its VAT returns and payments.

There are some simple steps and short term mechanisms to help you manage the current situation and ways that your business may be able to quite correctly defer the date when your VAT output tax is due for payment to HMRC:

- Submit the return on time and negotiate a period of time to pay with HMRC's Business Support Unit so that only interest is charged;
- Make use of online filing of returns and payment by CHAPS or direct debit to maximise the time to pay the VAT;
- Ensure, if possible, you are not late more than once in a 12 month period;

- Monitor very carefully any demands or enforcement letters from HMRC to avoid unnecessary escalation of the problem;
- Consider whether using the cash accounting scheme is appropriate, commonly very useful in service industries;
- Manage the timing of when your invoices are issued, to give the best chance of receiving the money before you have to pay the VAT;
- For slow payers, consider if the issue of requests for payment rather than VAT invoices will help.

If you are already experiencing problems, or are worried how you will manage to pay the VAT over the coming months, please contact [Jackie Richmond](mailto:jrichmond@menzies.co.uk), our VAT Director at [jrichmond@menzies.co.uk](mailto:jrichmond@menzies.co.uk).