

# TaxUpdate



This Tax Update is to help you and your business.

January 2009

## Business Payment Support Scheme: what every business owner needs to know

*“The average person suffering with cash flow problems might not be aware that this is available, but HMRC is going to act as a bank.”*

**Chas Roy-Chowdhury**, Head of Tax,  
the Association of Chartered Certified Accountants.

The taxman can be an unforgiving creature, but the Chancellor's Pre-Budget Report last November has brought out his softer side. Britain's businesses will face enough challenges over the coming months without having to worry unduly about their responsibilities to the Treasury. So the Government has launched a brand new Business Payment Support Scheme to give worried entrepreneurs some breathing space. It's called Time to Pay.

See over for details.



**Don't pay tax sooner than you have to.  
Ask us about the new Time to Pay arrangements!**

# Business Payment Support Scheme: what every business owner needs to know

## Take your time...

There has always been an opportunity of sorts for troubled taxpayers to schedule their repayments to the Revenue. Going to court is an expensive process, even for HMRC, who would rather come to an arrangement out of court if possible. But thanks to the credit crunch, this new scheme means HMRC's terms have become even more business-favourable. Now entrepreneurs have the chance to agree a timetable of payments for all centrally collected taxes: PAYE, VAT and National Insurance contributions, as well as corporation and income tax. What's more, if the application is successful, the taxman will waive all surcharges and penalty payments. You'll just have to pay interest on what you owe.

## ...by acting now

This new Business Payment Support Scheme is designed primarily for businesses which are not already being pursued by HMRC for outstanding debt, so it's important to make an application sooner rather than later. The department has a mandate to promote the scheme and ensure it is widely used, but if you are already caught up in the debt collection process you may be turned down automatically (and if you're in this situation, you need to talk to us right away).

## Still unconvinced?

Let's be clear about the benefits. The interest rates payable on delayed tax payments are better than those available from commercial lenders (assuming you were able to secure

credit), so if you're running in the red, as many businesses are, a successful application to schedule your tax repayments will save you money.

## Interest rates

- ▶ The current interest rate for deferred tax under the Time to Pay Scheme is a competitive **3.5%**.
- ▶ For larger companies, which have underpaid corporation tax installments, it's only **2.75%**, with a further reduction predicted soon.
- ▶ For VAT, as long as you file your returns on time, there may not be any interest payable at all.

If you like, you can apply direct. There's a new HMRC phonenumber dedicated to the matter (the number is **0845 302 1435**) and callers are promised a swift decision on their application. However, you'll need to present your case, and the more complex your application, the longer the process.

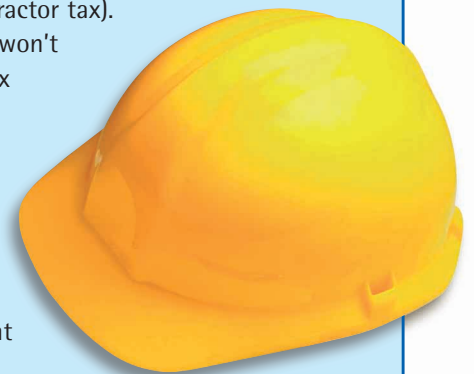
We can help you come up with a schedule for all your tax repayments, as well as help you to show the taxman that your business is in genuine difficulty, and that while it can't pay its tax debts right now, it will be able to in the future. If you don't meet those criteria, HMRC have told us your application will fail. Our experience also means we have a good idea about what is appropriate when it comes to repayment timescales. It's important to get it right when you apply, because if you default on your agreed schedule you will become liable for penalties again.

## Are you a sub-contractor in the construction industry?

If you are, you'll probably know that having a clean tax record is vital if you want to retain your gross payment status (the thing that stops you from having to pay a 20% sub-contractor tax). The good news is that HMRC have decided that applying under this special scheme won't affect your tax record one bit. If you don't apply and you do end up making a late tax payment, however, you're sunk. So securing Time to Pay makes even more sense.

## Believe it or not

By the way, the taxman still relies on an automated process when it comes to cancelling your gross payment status, and altering the software is apparently too expensive. So sub-contractors who have applied under the Business Payment Support Scheme may still get a standard letter telling them that their gross payment status has been cancelled, and this will have to be challenged in under 30 days.



▶ **Don't pay tax sooner than you have to.  
Ask us about the new Time to Pay arrangements!**