

Help from HMRC for Tax Payers facing difficulty in meeting payment deadlines

If you are worried about being able to meet tax, National Insurance, VAT or other payments owed to HM Revenue & Customs (HMRC), or if you anticipate that payments coming due will cause you problems, then help may be at hand from HMRC. The 2008 Pre Budget Report announced a new 'Business Payment Support Service'. This is now up and running, and whilst it is primarily designed for businesses facing cash flow difficulties due to the 'credit crunch', our experience suggests that this service is of genuine assistance to a wide range of clients by offering time to pay arrangements.

The service is designed to help clients who are facing temporary cash flow difficulties meaning they are unable (or unlikely to be able) to pay their tax liabilities on time, but who are likely to be able to pay in full if more time was available.

HMRC Business Payment Support Line

A taxpayer can make contact with the Business Payment Support Line directly on:

Tel **0845 302 1435**

This is open Monday - Friday 8.00 am to 8.00 pm, Saturday and Sunday 8.00 am - 4.00 pm.

The Support Line is intended for new enquiries only. If you have already contacted HMRC about an overdue payment or if you already have a payment arrangement with HMRC then you should contact the office with which the arrangement was made. However, if you can not get through to that office, the Business Payment Support Line may be able to help.

The service is likely to be busy around tax payment deadline dates such as 31 January. Early contact is advised so as to avoid these dates.

Information required

To help deal with the call as efficiently as possible, HMRC will need some basic details:-

- your tax reference number
- details of the tax that you are or will have trouble paying
- basic details of your business's (or your personal) income and outgoings.

Once contact is made, HMRC staff will review your circumstances and discuss temporary options tailored to your needs, such as arranging for you to make payments over a longer period. Decisions can often be made over the phone.

Surcharges and Interest

The stated intention is that there will be no additional late payment surcharges on payments included in the arrangement, although interest will continue to be payable. Our experience has been that in many cases agreements for staged payments can be negotiated at lower rates of interest than would otherwise be charged.

How we can help

Whilst the service is designed so that taxpayers and businesses can contact the helpline and make arrangements themselves, we can also deal with this as your agents. As an existing client, then we will already be authorised to act on your behalf. If you are not already an Ensors' client, we will need your authority to act on your behalf (i.e. a signed form 64-8), which will need to be submitted to HMRC. In either case, HMRC may need to contact you directly for example if a direct debit arrangement needs to be set up.

Surcharges

VAT default surcharges will not be charged if the business contacts HMRC before the payment is due and agrees a 'Time to Pay' arrangement. Entering into the arrangement will not be treated as a default so it will not extend the 12-month rolling period nor will the default percentage increase because of the arrangement, provided the terms are adhered to.

Similarly, a surcharge can be avoided on late payment of income tax where a 'Time to Pay' arrangement is entered into before the relevant surcharge date and the terms of the arrangement are adhered to.

Partnerships

The Business Payment Support Line officer or specialist will be able to discuss the 'Time to Pay' arrangements of individual partners with us as your agent at the same time as discussing the affairs of the partnership, provided the relevant written authorities are in place. However, when setting up the Direct Debit arrangements it is likely that the officer will need to speak to the individual partners.

Where the partners wish to use the partnership bank account to pay the individual liabilities, HMRC will need to set up separate direct debits for each partner and where appropriate contact the partners who are able to authorise this arrangement.

If a partnership has one agent and a partner has authorised a different agent, HMRC will require a separate authority to enable them to have discussions with the partnership agent about that partner.

Reviewing or extending the arrangements

If the circumstances of the business change and it becomes unable to make the payments covered by the agreement, as well as keeping up to date with any new liabilities, HMRC will want the business (or its agent) to get in touch before it misses any payment.

Provided they are satisfied that the business continues to be viable HMRC will consider amending and extending the agreement. If the agent or the business is unable to satisfy HMRC on this they will then have to consider other courses of action, such as legal action or insolvency proceedings.

Subcontractors Gross Payment Status

HMRC's stated policy is that gross payment status under the CIS scheme will not be compromised by entering into a 'Time to pay' arrangement before the due date for payment. Nevertheless it is anticipated that HMRC's automated systems will still produce a letter advising that HMRC have cancelled gross payment status. If you receive such a letter, please appeal immediately as indicated in the letter and explain that you have an agreement with HMRC entered into before the due dates of the relevant payments. Gross status should be restored, unless, for example, there were other failure reasons unrelated to the payment in the arrangement.

We will be pleased to offer further help and advice on this as required. Please contact your usual Ensors contact or speak to Henry Wood on 01284 722334 or email henry.wood@ensors.co.uk

The information is given by way of general guidance only and no action should be taken solely on the basis of the information contained herein. Your usual Ensors contact will be pleased to provide further guidance on the proposals, and how they might affect you. No liability is accepted by the firm for any actions taken without seeking appropriate professional advice.