

## Insights

# COVID-19 – UK TAX DEFERRALS ANNOUNCED

23 March 2020

On 20 March the Chancellor responded to financial pressure brought to bear on businesses in the UK as a result of COVID-19 by announcing a package of unprecedented measures to support business through this period.

A highlight was the Coronavirus Job Retention Scheme, which is a grant for employers to cover 80% of the salary (up to £2,500 per month) of employees who are not able to work and have been ‘furloughed’ rather than being laid off. HMRC is working urgently to set up a system of reimbursement because existing systems are not set up to facilitate payments to employers.

However, also significant were targeted tax deferral measures to help with cash flow:

- Businesses will not need to make a VAT payment during the period of 20 March 2020 to 30 June 2020. Taxpayers will be given until the end of the 2020/2021 tax year to pay any liabilities that have accumulated during this deferral period. VAT refunds and reclaims will be paid by the government as normal.
- For the self-employed, the second payment on account of income tax, which had been due on 31 July 2020, has been deferred until 31 January 2021. No grants were announced in contrast to the position for the employed.

At the Budget on 11 March the Chancellor launched expanded time to pay arrangements for other taxes paid by businesses and self-employed individuals in financial distress. HMRC has set up a dedicated COVID-19 helpline to agree bespoke arrangements for deferring tax payments with taxpayers. The automatic targeted deferrals outlined above, for VAT and income tax, go one step further and are welcomed.

In terms of tax cuts, so far the Chancellor has only announced business rates relief.

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