



HMRC - getting tough on time-to-pay and compliance

You may recall from our previous bulletins that we referred to the considerable financial support afforded to small and mid corporate businesses by HM Revenue & Customs (HMRC) during late 2008 and 2009 as a "holiday". We believe it is fair to say that this "holiday" which has helped many businesses to absorb the impact of the recession is now well and truly over!



Not only has HMRC's stance on time-to-pay hardened considerably since the summer, it appears that a parallel strategy of prevention has been adopted to make the escalation of VAT and PAYE/NI substantially more difficult in the future.

Given that HMRC debts have now increased beyond £30 billion, it is not overstating matters to observe that prevention is of paramount importance. These preventative measures include:

- A new late PAYE/NI payment penalty regime which is to be implemented from May 2010. Not only will penalties be more severe, but the regime will also be applicable to all employers as opposed to just large employers which has historically been the case. Further details of this fundamental change can be obtained from HMRC's September 2009 [Employer Bulletin](#) (issue 33);
- The enforcement of VAT security bonds for up to 6 months of projected VAT liabilities for poorly compliant and new businesses where there is a perceived risk of future non-compliance. The concept of VAT security bonds is not new but it is fair to say that it has in the past been used sparingly. The new regime will result in considerable cash outflows for businesses. It is evident that this approach is being increasingly applied to those businesses sold through Pre-Packed Administrations to common directors and shareholders; and
- From 1 April 2010, for all new or existing businesses with turnover of more than £100,000 they will need to file VAT returns online and pay electronically. Non compliance will invariably result in increased default VAT surcharges and interest.

Although it is still possible to secure time-to-pay arrangements with HMRC, it is noticeably more difficult to achieve than has historically been the case. Viability must be demonstrated in a very persuasive manner and the roles of directors are under particular scrutiny particularly if they have been previously involved in failed businesses. A clear turnaround strategy must be presented. Attention will focus on:

- The presentation of a robust business plan;
- The rationalisation of a company's cost base;
- The provision of full financial support from directors personally either in the form of a capital injection or granting of personal guarantees to secure bank funding or indeed in taking reductions in their salaries;
- Alternative forms of commercial finance must be fully exhausted; and
- An initial lump sum payment followed by a reasonable repayment term.

We envisage that economic conditions will remain demanding for UK businesses for some time to come and they will be challenged more than ever to put their own house in order and to seek appropriate business partners to guide them along the way.

What can be done to secure time-to-pay arrangements from HMRC?

First impressions count, invariably you only get one chance to make your case and in this new environment it is so important to let professionals present your case in the right manner to maximise your chances of obtaining HMRC support.

MCR Tax Arrears Solutions offer the necessary level of expertise and with years of experience of negotiating with HMRC behind us we can assist companies and as always are prepared to meet clients for a non obligation and free consultation.

THE HOLIDAY IS CERTAINLY OVER BUT WITH THE RIGHT APPROACH, WHEN REQUIRED, TIME-TO-PAY ARRANGEMENTS CAN BE SECURED.

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