

New Clause 23: Interest on unpaid tax in case of disaster etc of national significance

Summary

1. This clause amends section 135 of the Finance Act 2008 (interest on unpaid tax in case of disaster etc of national significance). The clause enables HM Treasury to specify, in an Order under that section, which payments of tax and other liabilities that are deferred by agreement during a period of national emergency or disaster, will not attract interest or surcharges during the period of deferral.

Details of the clause

2. Subsection (1) provides that section 135 Finance Act 2008 is amended.
3. Subsection (2) amends subsection (2) of section 135, which defines a “relevant sum”. The amendment enables HM Treasury, in an Order under section 135, to specify the liabilities the deferral of which attract the benefit of the interest and surcharge waiver under subsection (3) of that section.
4. Subsection (3) amends subsection (4) of section 135 which deals with the period during which no liability to interest or surcharge arises in relation to a deferred amount (the relief period). Subsection (4)(b) is amended to ensure that if an Order under section 135 is amended at a later date to remove a specified liability from the scope of the benefit, the relief period for a deferred amount relating to the removed liability will automatically end when the amending Order takes effect.
5. Subsection (4) amends subsection (10) of section 135 to enable the start of the relief period to be different in relation to different liabilities.
6. Subsection (5) provides that the amendments made by the clause have effect from 20 March 2020.

Background note

7. On 20 March 2020 the Chancellor of the Exchequer announced, as part of the government’s wider response to the COVID-19 pandemic, the deferral of traders’ next VAT quarter’s VAT liability until the end of the financial year, and Self-Assessment taxpayers’ second payment on account (due on 31 July 2020) until 31 January 2021.

8. Section 135 of the Finance Act 2008 provides that interest and surcharges shall not apply in respect of sums due to HM Revenue and Customs which are deferred in consequence of an emergency or disaster specified in an Order by HM Treasury.
9. In its current form, section 135 does not enable the implementation of the government's policy of deferring specific liabilities due to HM Revenue and Customs, for specific periods, in direct response to the COVID -19 pandemic and ensuring that no interest or surcharge apply to those targeted deferrals.
10. Section 135 is capable of applying retrospectively. The amendment to section 135 also ensures that HM Revenue and Customs is able to disapply interest and surcharges for the specific liabilities and periods announced by the government on 20 March 2020 as part of its response to the COVID-19 pandemic.