



HM Revenue
& Customs

Amending section 135 Finance Act 2008 in relation to disapplication of interest and surcharges on liabilities deferred due to the coronavirus pandemic

Who is likely to be affected

Individuals, companies, and businesses who would otherwise be subject to interest and surcharges on tax and other liabilities, due to be paid to HMRC, that are deferred due to the coronavirus pandemic.

General description of the measure

Section 135 Finance Act 2008 provides that no interest or surcharge applies to payments due to HM Revenue & Customs (HMRC) deferred as a result of a disaster or emergency specified by HM Treasury (HMT) in an Order laid before the House of Commons.

This measure enables an Order made under section 135 to specify the liabilities deferred. The measure also enables the Order to specify different start dates for the period of relief for different liabilities described in the Order.

This measure enables HMRC to disapply interest and surcharges which would otherwise arise in relation to the specified deferrals.

Policy objective

The government recognises that many individuals, companies and businesses will have difficulties in meeting their financial obligations during the coronavirus pandemic.

The government's current policy is to give businesses the option to defer VAT payments due with VAT returns between 20 March and 30 June 2020. Individuals' next Self-Assessment payments on account due on 31 July 2020 may also be deferred. Interest or surcharges will not be incurred as a result of these deferrals. These deferrals were announced in a speech given by the Chancellor of the Exchequer on 20 March 2020. Guidance on the deferrals has been published on gov.uk.

This measure enables HMT to define the specific liabilities covered by the agreement for deferred payment.

Background to the measure

In response to the coronavirus pandemic, the Chancellor of the Exchequer announced on 20 March 2020 a policy of deferring the next quarter of VAT payments until the end of the financial year and the next Self-Assessment payments on account until 31 January 2021.

The pandemic has caused many businesses to temporarily close or operate within strict government guidelines of social distancing, which has had a direct impact on individuals and businesses.

The government is giving this support to ease the burden on individuals and businesses who could be facing cash flow difficulties at this time.

The government does not want interest and surcharges for the period of the deferral to be added to the specified deferred VAT and Self-Assessment liabilities.

Detailed proposal

Operative date

The measure will have effect from 20 March 2020.

Current law

Finance Act 2008 (section 135) introduced legislation for the disapplication of interest and surcharges on unpaid tax and other liabilities due to HMRC in relation to a disaster or emergency of national significance. HMT can specify what is a disaster or emergency, in an Order made under section 135. The Order specifies the start of the period of emergency or disaster and its revocation normally determines the end of the period.

Section 135 disapplies interest and surcharges on taxes and other liabilities deferred by HMRC by virtue of a disaster or emergency specified by HMT.

Section 135 does not provide power for HMT to specify the taxes to be deferred or the precise period of the deferral.

Proposed revisions

Amendments to section 135 will enable HMT to specify, in an Order, which payments of tax and other liabilities are deferred by agreement during a period of national disaster or emergency and which will therefore not attract interest or surcharges.

Section 135 provides that an Order may set out a commencement date of the disaster or emergency which precedes the laying of the Order. The amendment to section 135 will apply from 20 March 2020.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026

The Office for Budget Responsibility will include the impact of this measure in its forecast at the next fiscal event.

Economic impact

The measure will help protect businesses during the period when they may be experiencing cash flow difficulties, thereby supporting productive capacity and employment for the longer term.

Impact on individuals, households and families

This measure is expected to have a positive impact on individuals who can defer their Self-Assessment payments by removing interest and surcharges for the deferment period, meaning that these charges will not be added to their tax liabilities during this time. There is expected to be a positive impact on customer experience given the supportive nature of this measure and given that this will reduce the financial burden on individuals during this period.

There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that this measure will have adverse impacts on those in groups sharing protected characteristics. Any positive impacts will apply proportionately to all groups.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on the estimated 1.5 million VAT-registered businesses that have payments due in the period covered by this measure. It is expected that a significant proportion of these businesses will take up the option to defer their payments.

One-off costs will include familiarisation with the changes. There are not expected to be any continuing costs.

There is expected to be a positive impact on customer experience given the supportive nature of this measure and given that this will reduce the financial burden on VAT-registered businesses during this period.

There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will need to make changes to IT systems to enable this change. Detailed work is under way, including on estimated costs. HMRC will also have to change some staff processes to support customers through this change; the final level of resource required has yet to be quantified.

Other impacts

Other impacts have been considered, but none has been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Robin Wythes by email at: robin.wythes@hmrc.gov.uk

Declaration

The Rt Hon Jesse Norman, MP Financial Secretary to the Treasury, has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.