



# Securities in respect of VAT at risk

We have given you this factsheet because we've told you that you may have to give security or because you must now give security. If you have a tax adviser, you may want to talk to them and show them any correspondence that we've given you.

VAT law allows us to require a taxable person to give an amount of security if there's a serious risk that they will not pay VAT which is or becomes due. The relevant tax law is set out in paragraph 4(2)(a) of Schedule 11 to the VAT Act 1994.

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## About a taxable person

A taxable person is a person or business that is registered or required to be registered for VAT as set out in section 3(1) of the VAT Act 1994.

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## Who we ask to give security

It's the taxable person who must give the security.

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## The notice of requirement to give security

If we require a taxable person to give security, we'll issue them with a notice of requirement. This will show the amount of security required, and when it's required. It'll also show the way in which the security must be given.

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## How to give us security

You can choose one of the following ways to give security:

- make a payment
- provide a guarantee in the form of a performance bond

If you want to give us security by a performance bond, please contact the office that gave you this factsheet.

Before making a payment you should contact your bank or building society to confirm the services available to you, any daily value limits, how long they'll take to transfer the money and the latest cut-off times for making a payment.

You can make a payment through your own bank or building society by:

- Bacs (Bankers Automated Clearing System) Direct Credit
- Internet or telephone banking
- Faster Payments
- CHAPS (Clearing House Automated Payment System)

You'll need to give your bank or building society the following details:

**Sort code:** 08-32-00  
**Account number:** 12000903  
**Account name:** HMRC Miscellaneous  
**Reference:** 'Security' followed by your VAT registration number

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## When we may issue a notice of requirement

We may send or give a notice of requirement to a taxable person if:

- in their previous or current business, they have failed to comply with their VAT obligations
- we have reason to believe that they might fail to comply with their VAT obligations

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## Sending a warning letter before the notice of requirement

Normally we'll send a letter warning the taxable person that we may require security. However, if we believe that sending a warning letter will increase the risk that VAT will not be paid, we may send or give a notice of requirement without warning.

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## What happens if you're required to give security and do not give it in full

It's a **criminal offence** to continue to make or receive taxable supplies without giving the security shown on a notice of requirement. Taxable supplies mean the supply of any goods or services that are taxable. This includes supplies made between members of a group registration.

If we have sent or given you a notice of requirement and you continue to make taxable supplies without giving the security in full, we may prosecute you. In the event of a successful prosecution, **you may have to pay a fine of up to £20,000 for each taxable supply you make without giving the security.**

If you're involved in a business that continues to make or receive taxable supplies without giving the security, we may prosecute each individual involved in that business. You may also be personally responsible for paying any fines and compensation awarded by the court.

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## How we calculate the amount of security

We calculate the amount of security using a formula that has been approved by independent tribunals. That formula is based on:

- the amount of VAT paid or due to be paid by the business for a 4-month or 6-month period plus
- an amount equal to any arrears of VAT from the current business

If you make quarterly returns, we'll require an amount of security based on the VAT we estimate you would have to pay over 6 months.

If you make monthly returns, we'll require an amount of security based on the VAT we estimate you would have to pay over 4 months.

We calculate the amount of security using the most accurate information available to us at the time.

Please note that although we use the amount of any arrears of VAT as a way of calculating the amount of security, this does not affect the arrears. We'll continue to pursue payment of any arrears in the normal way.

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## The notice of direction

We can direct a taxable person to change the frequency of their VAT returns. This allows us to monitor the business activities more closely. We may issue a notice of direction to a taxable person that makes quarterly returns, telling them that they must change to monthly returns. When we're satisfied that there's no longer a risk of VAT due not being paid, we may direct the taxable person to revert to quarterly returns.

A taxable person can also ask to move to monthly returns.

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## Forms of security we'll accept

We'll only accept the following forms of security:

- an electronic payment to a specified HM Revenue and Customs (HMRC) bank account
- a cheque or banker's draft
- a guarantee in the form of a performance bond authorised and approved by a financial institution

We cannot accept property or items such as high value motor vehicles or boats as security.

If you need more information about the acceptable forms of security, please contact the office that has sent this factsheet to you.

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## Time limits for giving security

When we send a notice of requirement to a taxable person, the law says that the security must be given immediately. We'll allow what we consider to be a reasonable amount of time for the security to be arranged.

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## How long we'll hold the security for

We normally hold security for VAT for at least 12 months for a business on monthly returns and 24 months for a business on quarterly returns. During this time we'll monitor the tax affairs of the business. We'll return the security when we consider there's no longer a risk that the business will fail to pay the VAT that's due or that may become due.

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## Using the security to pay what is owed

If a taxable person gives security and then fails to pay the VAT that's due, we may use some or all of the security to pay what is owed. We may then require the taxable person to give further security.

When we no longer require the security for VAT we'll check if the taxable person has any other debts with HMRC. If they do, we may then use the security to pay those debts.

Where there are no outstanding debts, we'll return the security to the taxable person.

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## Making a time to pay arrangement for arrears of VAT

If a taxable person has arrears of VAT, agreeing a time to pay arrangement with us allows them to pay their arrears over an agreed period of time.

If you would like to make a time to pay arrangement with us, or would like more information about this, you should contact the office that sent you this factsheet.

If we agree a time to pay arrangement, we may consider withdrawing the notice of requirement to give security.

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## If we require security from you and you disagree with our decision

If we send you a notice of requirement and you disagree with our decision to require security from you, you have the right to an independent review of that decision. You should request a review within 30 days of the date of the notice of requirement to give security if you:

- think there are facts that we may not have been fully considered
- can provide more information that you believe will alter our view

If you prefer, you can appeal direct to an independent tribunal within 30 days of the date of the notice of requirement or, if you have opted for a review, within 30 days from the date of our letter telling you about the review decision.

You can find more information about appeals and reviews on GOV.UK, go to [www.gov.uk/tax-appeals](http://www.gov.uk/tax-appeals) or you can phone the number on the letter we sent with this factsheet. You can find out more about tribunals on the Tribunals Service website. Go to [www.gov.uk/courts-tribunals/first-tier-tribunal-tax](http://www.gov.uk/courts-tribunals/first-tier-tribunal-tax) or you can phone them on 0300 123 1024.

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## If you appeal to an independent tribunal and continue to make taxable supplies

If you have appealed to an independent tribunal against a notice of requirement, and you continue to make or receive taxable supplies without giving the security we have asked for, **you may still be prosecuted**. However, to allow time for your appeal to be heard, we may agree to wait for the tribunal's decision before starting or continuing any prosecution action. If we agree to wait, we'll write to tell you.

If the tribunal dismisses your appeal, or you withdraw it, we may decide to immediately start or restart prosecution action.

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## Your principal rights and obligations

You have:

- the right to be represented – you can appoint anyone to act on your behalf, this includes professional advisers, friends or relatives
- the right to consult your adviser – we'll allow a reasonable amount of time for you to do so
- an obligation to take care to get things right – if you have an adviser, you must still take reasonable care to make sure that any returns, documents or details they send us on your behalf are correct

'Your Charter' explains what you can expect from us and what we expect from you. For more information go to [www.gov.uk/hmrc/your-charter](http://www.gov.uk/hmrc/your-charter)

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## Authorising a representative

You can authorise someone to deal with us on your behalf. This includes professional tax advisers, friends or relatives. If you want to authorise a professional tax adviser, they'll can give you a form to complete and send to us. If you want to authorise someone other than a professional tax adviser, you'll need to write to tell us who you want to authorise and what you want them to deal with for you.

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## General information

### Customers with particular needs

If there's anything about your health or personal circumstances that may make it difficult for you to deal with this matter, tell the officer that gave you this factsheet. Telling them will mean that they can help you in the most appropriate way.

Go to [www.gov.uk/dealing-hmrc-additional-needs](http://www.gov.uk/dealing-hmrc-additional-needs) or contact our helplines if English is not your first language or you need our guidance in an alternative format such as Braille, audio and large print.

### If you need help or more information

If you have any questions about securities, please contact the officer dealing with the check. You can also look for the information you need online, go to [www.gov.uk](http://www.gov.uk)

### If you are unhappy with our service

If you're unhappy with our service, tell the person or office you have been dealing with. They'll try to put things right. If you're still unhappy, they'll tell you how to complain.

For more information about how to complain go to [www.gov.uk/complain-about-hmrc](http://www.gov.uk/complain-about-hmrc)

### This factsheet is one of a series published on our website

For the full list of our security factsheets, go to [www.gov.uk/government/collections/hm-revenue-and-customs-leaflets-factsheets-and-booklets#securities-series](http://www.gov.uk/government/collections/hm-revenue-and-customs-leaflets-factsheets-and-booklets#securities-series)