

VAT Payments by cheque

Revenue & Customs Brief 14/10 (Issued 17.03.10)

From 1 April 2010 **all** cheque payments for your VAT liability sent by post will be treated as being received by HMRC on the date when cleared funds reach their bank account – **not** the date when the cheque is received, which was the previous standard used to determine when payment was received by HMRC.

The purpose of the change to the cheque clearance rules is to encourage compliance with the requirement to pay electronically by removing the cash flow advantage currently enjoyed by businesses paying by cheque.

The change is also intended to make electronic methods of payment more attractive to those businesses which are not automatically required to file their VAT returns online and pay electronically from 1 April *.

In practical terms, this means that businesses must allow enough time for their payment to reach HMRC **AND** for the payment to clear into HMRC's bank account, no later than the due date shown on their VAT return.

HMRC advise that a cheque takes three bank working days to clear – excluding Saturdays, Sundays, and bank holidays – and that to allow for possible postal delays businesses should allow at least a further three working days for a cheque payment to reach them. There is also the unknown factor of how long HMRC will take to actually bank the cheque although it is hoped this will be on the day of receipt.

Therefore, allowing for weekends and bank holidays, it would be prudent to post any cheque payments some 10 days before the due date shown on your VAT return

NB: A business may be liable to a surcharge for late payment if a cheque payment does not clear by that due date.

This change does not affect any cheque payments made by Bank Giro. Payments by Bank Giro are treated as electronic which means that businesses will get up to an extra seven calendar days for the cleared payment to reach HMRC (unless they use the Annual Accounting Scheme or are required to make Payments on Account).

To find out more, please visit www.hmrc.gov.uk/briefs/vat/brief1410.htm or contact us by calling 0870 166 6270 or emailing sales@abbeytax.co.uk

***Businesses which have to pay electronically from 1st April 2010**

From 1 April 2010, all businesses with an annual turnover of £100,000 or more (exclusive of VAT) **AND** all newly registered businesses **must** file their VAT returns online and pay any VAT due electronically.

As stated above, HMRC are recommending that businesses make their VAT payments electronically for reasons of security and because, in most cases, it gives up to seven extra calendar days to pay or, if paying by Direct Debit, at least ten extra calendar days.

Please note that this extra time does not apply to businesses if they use the Annual Accounting Scheme or are required to make Payments on Account.