

VAT Important Changes – Cheque Payments by Post



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Background

All VAT registered businesses know that it is essential to ensure that VAT returns and payments reach HM Revenue & Customs by the due date in order to avoid penalties.

The due date is, normally, the end of the month following the end of the VAT period but special rules apply to the Annual Accounting and Payments on Account Schemes (if you are affected by these special schemes please speak to your usual Shipleys contact or the VAT team – see contact details below).

Where payment is made by mailing a cheque it has, in the past, been accepted that payment is treated as having been received by HM Revenue & Customs on the day that the envelope physically arrives at the VAT Central Unit. So a return and cheque mailed on 30th March would normally be treated as received by HM Revenue & Customs on 31st March.

Change of Policy

An announcement was posted on the HM Revenue & Customs website on 25th February 2010 notifying a change of policy regarding the date that cheque payments sent by post are deemed to have been received.

With effect from April 1st 2010 cheques received by post will be treated as received only when cleared funds reach the HM Revenue & Customs bank account.

Affected VAT Returns

The first VAT return periods to be affected by this change are periods ending 31st March 2010. The due date for these is 30th April 2010 but this change of policy means that the return and payment will have to be mailed first class by no later than Friday 23rd April to give time for the cheque to arrive and be presented to the bank and for the funds to clear. This effectively means that the due date is being shorted by a week.

Other Payment Methods

This change of policy only affects cheque payments sent by post. All other methods continue to benefit from the existing policy that allows an extra 7 days for paying electronically:

- 1 Bank Giro (i.e. paying with cash or cheque using the bank giro system at your bank or building society).
- 2 BACS/CHAPS.
- 3 Internet or Telephone Banking.
- 4 Bill Pay (i.e. paying by debit or credit card via the internet using the Bill Pay service).
- 5 Standing Order.
- 6 Direct Debit.

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Notes:

If using methods 1 to 5 the money must reach the HM Revenue & Customs bank account on or before the 7th calendar day after the normal due date.

If using method 6 HM Revenue & Customs will collect the money from your bank account on or before the 10th calendar day after the normal due date.

Future Developments

At the moment there is no indication that the extra 7 days allowed for electronic payment will be withdrawn.

However, it should be noted that the extra 7 days was originally introduced in recognition of the fact that it took approximately that amount of time for cheques sent by post to reach the HM Revenue & Customs bank account.

The fact that HM Revenue & Customs now expects cheques to be sent in good time to enable the cleared funds to reach their bank account by the due date may be an indicator that the extra 7 days is likely to disappear soon.

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