



HMRC TIME TO PAY ARRANGEMENTS (“TTP”)

WHERE ARE WE?

At the onset of the recession HMRC announced in January 2009 that it was setting up The Business Support Service, whereby companies and subsidiaries could apply for breathing space in the payment of its tax bills.

By March 2010, 300,000 arrangements had been agreed by HMRC, allowing tax payers to defer £5.1 billion of tax. Shortly after this HMRC announced that it would not be releasing further figures of arrangements made or tax deferred.

By May 2012 HMRC have increased its use of distraint action by 161% year on year. Rumours are growing that the TTP arrangements are coming to an end, however this is far from the truth. In many respects the above trend should be expected as companies entering into TTP's that they cannot borrow, will now be experiencing difficulties. We seek below to explain where we now are as this is still a valuable tool in enabling businesses to survive.

- **How do I obtain a TTP?**

The HMRC website gives details of the HMRC Payment Support Service and gives a helpline of 0845 302 1435. You will then be told where to write to – do not assume that this resolves the matter. You need to ensure that someone has received the request (some offices do not have telephone numbers) and until you have confirmation in writing that your TTP is in place do not assume that the matter is resolved.

- **I have already had a TTP and was told that a further one would not be available.**

The office HMRC guidance states “if you already have a payment arrangement with the Business Support Service which has been cleared in full you can still contact them again if you are having difficulty making subsequent payments”.

The key reference is “cleared in full”. If arrangements have defaulted then HMRC are entitled to decline a further request, however a well presented case can still be approved, sometimes by taking the matter to a higher level of authority.

- **What if I am in a TTP and know that I will breach the agreement?**

The HMRC guidelines recommend that you advise them as soon as possible and preferably pre breach. They will then review your time to pay agreement and may consider extending the agreement. It is likely that the enquiries will be more onerous than the original enquiries.

- **Can I negotiate a settlement of the amounts subject to TTP?**

No HMRC are prohibited from negotiating any settlement of debt due to the Crown.

- **Can we negotiate a full and final settlement with HMRC instead of a TTP?**

HMRC cannot, outside of a formal insolvency negotiate a reduction in the quantum of debt due. The reason given is that this would be unfair to other tax payers in competition and therefore they can only extend the time period.

- **Will I be charged penalties or interest in the TTP?**

VAT default surcharges will not be charged if the TTP is agreed before the payment is due. Similarly surcharges and penalties on other taxes will not be incurred.

How can we help?

HMRC are insisting on independent business reviews (“IBR’s”) where the debt exceeds £1 million. In practice very few IBR’s have been commissioned. Our experience however suggests that where the customer commissions and independent adviser to prepare a brief report on the company and submits a formal request for a TTP, HMRC’s response is more receptive. We are prepared to act in such matters on an entirely conditional fee basis. If HMRC decline our request for a TTP then no fee will be charged. The cost of our work will vary with each assignment however in all recent cases dealt with the fees have been significantly less than the penalties/surcharges that would have applied.

If you have any clients who would benefit from an initial discussion then please do not hesitate to contact one of our partners.

CASE STUDY

We were recently engaged by a local highly profitable business to assist in negotiations with HMRC. The company had made several acquisitions on deferred consideration basis and as a consequence forecast an inability to pay corporation tax some 5 months ahead. The company’s bankers had declined to increase facilities and HMRC had indicated that they would not agree to a further TTP, the company having just completed one.

We took the company’s cashflow forecasts and management agreed a holiday on the deferred consideration payments. In addition we presented a detailed report to HMRC demonstrating that the issue was short term and despite having had previous TTP’s, the company was viable and the circumstances justified extending the TTP. The TTP was agreed and the company avoided having to sell parts of its business in order to survive.

For any further information on our services please visit our website: www.kreco.co.uk



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