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## **COVID-19: Income Tax deferral scheme**

### **What is being offered?**

As you will be aware the payment on tax for many people is made on 31st January every year but some are also required to make payments on account during the year, the 2<sup>nd</sup> of which is on 31<sup>st</sup> July. The deferral for income tax applies to the second payment on account for 2019/20 due on 31 July 2020 which is deferred until 31 January 2021.

This scheme is only available to self-employed people within the self-assessment system. This would include sole traders and partnerships but not Directors, Investors or landlords if they did not have a self-employment as well.

### **What do I have to do?**

According to the information provided the deferral is automatic and no action is required by the self-employed person. We assume statements will still be issued by HMRC and may contain a message to those where deferral is possible but this is not confirmed in the information issued so far.

### **When will I have to pay the tax?**

As this measure is only a deferral of the payment, it will need to be paid at some point in the future. The information provided says that traders will have to make the payment by the 31<sup>st</sup> January 2021 when the balance of their 2019/20 income tax would normally be due.

### **Will I be charged interest or penalties on the deferred amount?**

No – there will be no interest or penalties or surcharge notification issued by HMRC if the deferred amount is paid by the 31<sup>st</sup> January 2021. If anyone can't pay by then an agreement would need to be made individually with HMRC under the time to pay arrangements.

### **Do I still need to submit my self-assessment returns?**

Yes, it is a legal obligation to submit your self-assessment returns by the appropriate deadlines and we would urge everyone to deal with these matters as soon as possible after the 5<sup>th</sup> April tax year end. The earlier your tax affairs are calculated the more time you will have to plan for the liability that will be due on 31<sup>st</sup> January 2021 which will also probably include a payment on account for the 20/21 tax year.

### **How can Winders help?**

We will be working as normal to assist clients with the completion of their accounts and tax returns and can also provide further advice regarding a plan for the future repayment of the deferred amount. Please contact us to discuss further. Again we would strongly advise that you let us have your business and tax records as soon as possible after the tax year end of 5<sup>th</sup> April 2020

### **Further information can be found here**

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses#support-for-businesses-through-deferring-vat-and-income-tax-payments>