

VAT payments by cheque

VAT payments by cheque –
important changes with effect
from 1 April 2010



Legislation in the Finance Act 2009 changed the effective date of payment when payments are made by cheque. This legislation has now commenced with effect from 1 April 2010. This means that any cheques received by HMRC for payments of VAT (and only VAT at present) will be treated as made when cleared funds are received by the department, and not when the cheque was received. HMRC's recent Revenue & Customs Brief 14/10 provides more details on the change.

The change has been timed to coincide with the introduction of mandatory electronic filing and payment for many businesses. However, there is a "gap" between the last paper VAT returns and the new mandatory VAT online process, which businesses should be aware of.

The mandatory VAT online process commences on 1st April 2010 in respect of VAT accounting periods commencing on or after that date.

As an example – let us assume that your business VAT quarter ends on 30th April 2010. So your VAT return for the period ended 30th April 2010 will not be affected by the mandatory online filing rules, and therefore can still be filed on paper.

However, as the due filing date is 31st May 2010 the VAT return and cheque will be affected by the new payment rules (as above). This means your cheque (for your quarterly VAT return) must be sent in sufficient time to allow it to clear by 31 May 2010.

HMRC suggests allowing three working days for the cheque to arrive by post (sent by 1st class post) and three working days for the cheque to clear their bank account. As Monday 31st May 2010 is a bank holiday, this would mean posting the cheque on Thursday 20th May 2010 to allow time for it to arrive and clear, otherwise the trader could be liable to a default surcharge.

The same issue will apply to returns for periods ending 31st March 2010 and 31st May 2010 – both of which are not caught by the mandatory online process, but which will be affected by the new rules about paying by cheque. Businesses would be better advised to make payment by other means; for VAT electronic payment can be made by Bank Giro in addition to other more widely recognised electronic payment methods such as CHAPs or Direct Debit. See the How to Pay VAT pages for more information.

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 us (unless they use the Annual Accounting Scheme or are required to make Payments on Account)



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