

# Proactive tax management ideas for manufacturers

The Government has introduced a range of exceptional financial measures to assist businesses to mitigate the financial impact of Covid-19 and the associated lockdown. These measures are being applied by a range of agencies, including the banks, councils and HMRC.

The measures include:

1. Non-domestic rates reliefs and grants provided via councils
2. Loan finance ("CBILS", "CFF") provided via the banks and financial sector
3. Support for self employed persons ("SEISS")
4. Financial support for employers where staff are furloughed ("CJRS")
5. Automatic tax deferrals, in particular VAT
6. Further tax deferrals on request ("Time to Pay")
7. Recovery of Covid-19 related Statutory Sick Pay for employers <250 staff

The measures help some businesses more than others:

The measures are better for (comparatively)	The measures are less helpful for (comparatively)
Employers with employees employed before 19 March 2020	Employers with employees employed after 19 March 2020
People who started a new job prior to 19 March 2020	People who are leaving a job to start another now
Self-employed who were self employed prior to 6th April 2019	Self-employed who were self-employed after 6th April 2019
Self-employed earning £49,999	Self-employed earning £50,000
Retailers where business rate reliefs are automatic	Manufacturers, offices
Businesses for whom credit was previously easy to obtain	Businesses where credit was not freely available
The proactive	The reactive

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But what else should proactive businesses do?

Firstly, make sure that they take account of automatic, and "on request" tax deferrals. Tax deferral has two main aspects at the moment, automatic and on request.

Automatic	VAT payments due from 20th March to 30 June 2020 Will be payable in Q1 2021 (by 31 March 2021)  Self-assessment payments on account due in July 2020 – payable 31 January 2021
On request – via "Time to Pay"	Corporation tax payments PAYE and NIC Other tax debts already due

## Plan and act now to minimise the tax debts you owe HMRC

HMRC has made it clear this is just deferral of tax debts and they expect tax deferred will become payable when they have agreed it will become due, so in the meantime can you reduce it?

HMRC can offset what they owe you against what you owe them and when you speak to them they have a view across all tax debts you owe and what they owe you.

So, for example, a corporate tax debt HMRC owes your business can be offset against a VAT debt your business owes HMRC.

What you should be aiming to do is to reduce the debt owed to HMRC as much as possible by proactive tax management, so that you are left with as little outstanding tax debt as possible when the repayment dates approach.

So, what might cause you to be in a position that HMRC owe your business corporate tax when your business owes HMRC VAT? It is typically tax relief claims for corporate tax purposes which relate to the activities your company has been carrying out in the last two years, for example:

1. R&D claims
2. Capital allowances claims
3. Enhanced Capital Allowances – this is a particularly beneficial, and overlooked, area in manufacturing
4. R&D Allowances
5. Land Remediation Relief
6. Patent Box
7. Loss reliefs (e.g. loss carry back claims or group relief claims)

These claims typically need signed accounts so this might be a reason not to put off getting your accounts done for your latest year end – maybe even accelerate them? You should also note that any CBILS application will ask you what tax debt you have – keep a track of the tax debt (what you owe and what you are owed).

## What else could your business be thinking about?

We have listed below some other things you should look at in terms of tax cashflow management:

- Can you reduce your VAT instalments if you make payments on account for VAT purposes? You have to request this from HMRC but it is a “standard” process
- Can you claim VAT “bad debt relief” – can you recover the output VAT on:
- Debts which have gone bad
- Doubtful debts more than 6 months beyond normal term
- Is there any “international” VAT wrongly charged to your business on cross border invoices issued to you?
- Can you reduce or reclaim corporation tax Quarterly Instalment Payments? Will an update in your forecasts now show that less tax will be due for the year? Can you ask for past paid QIPs back? This might have to be done in writing (or web chat) but again is a standard process


For further information about managing your VAT obligations as efficiently as possible and improving your cash position at the same time, please see our insight and factsheet here.

To discuss any of these topics further please contact our tax team at your local office who will be happy to help. Alternatively, please email [info@mooreandsmalley.co.uk](mailto:info@mooreandsmalley.co.uk) and we will get back to you.

This update originally appeared on the website of our colleagues at MHA Tait Walker.

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