

“There could be trouble ahead”

Since the launch of the time to pay arrangement, HM Revenue & Customs has been deluged by thousands of businesses wishing to defer their full tax liabilities. It is already estimated that the arrangements total more than £1 billion.

“Deferring payment of tax does not mean that the debt is cancelled and many businesses could be storing up potential problems in the future. The vast majority of deferrals are agreed on the strength of a telephone call with little in the way of assessment to demonstrate a business’s viability or their ability to repay their debts. Deferring payment of tax can simply mean the deferment of a potential problem. Businesses should be aware that all tax liabilities must still be paid, albeit on an extended timescale, in addition to meeting all current and ongoing obligations as and when they fall due. As the economy continues to struggle and cash flow remains restrictive, participating businesses will have to face the tax liabilities coming back to haunt them in six months or so. Could we actually see a huge surge in corporate failures and a total collapse in revenues for HM Revenue & Customs? Time will tell,” said Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons.