

“Tax deferral or bust”

The government’s tax deferral scheme for struggling businesses appears to have created more problems than it was meant to solve.

The Business Payment Support Service was initially created to allow the payment of business taxes to be deferred for six months on the assumption that cash flow would be restored to previous levels and indeed give enough of a surplus to repay all deferred debts.

Commenting, Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons said, “Quite naturally thousands of small businesses clutched at this fiscal straw but it is pay back time. The reality is that any business which could not afford to pay its tax bills then will certainly find it difficult to do so now with further payments due. It is now estimated that some £5bn of deferred tax has piled up and there are ample signs that HM Revenue & Customs are getting a bit excitable.”

It now seems apparent that as the scheme is fast approaching the end of its first year, there is likely to be a veritable blitz of insolvencies.

“There is little doubt that the next couple of months will be a defining period as to just how long the recession will last. With 4.5 million small businesses in the UK, this figure represents a major proportion of the UK economy. Any increase in the number of small business insolvencies would be massively detrimental and might well prolong still further what has been an extremely painful downturn. Any small business experiencing trouble with their tax bills should make contact with the Business Payment Support Service details of which can be found on the HM Revenue & Customs web site,” added Phil.