



Is Time to Pay the only way?

Rapid hands-on support
for companies facing
cash pressure

Since the introduction of Time to Pay (TTP), the Government has agreed to over £4.7bn of tax deferral requests from around 247,000 businesses, with around £1.04bn still outstanding¹. The requirement from 6 April 2010 for an Independent Business Review (IBR) on the majority of tax deferral requests of around £1m or more, marks a concerted effort by HM Revenue & Customs (HMRC) to strengthen its policy and create a level playing field for all companies.

However, if you are facing financial pressure, and cash is tight, Time to Pay may not be the only option.

If you are considering an approach to HMRC to defer a tax payment, no matter what size, we can immediately help you assess your position and quickly determine what other options you may have available. We won't conduct an IBR on your business for the sake of it; our business recovery and tax dispute resolution team will work with you to determine whether Time to Pay is the right course of action, and has the best possible chance

of success. It may be, for instance, that our operational specialists can instead help to quickly assess and resolve cash flow difficulties both in the short-term and on a sustainable basis.

Our experience dealing with Time to Pay requests has shown that how you present to, and engage with, HMRC makes a huge difference to the outcome. We have succeeded in achieving tax deferral requests for clients, even where previous requests and Time to Pay arrangements have failed. We have contacts at all levels within HMRC, including the directors' office. We understand HMRC and its approach, helping you to navigate a course through what can seem to be a very complex process.

The majority of Time to Pay requests are made when businesses are facing critical financial pressures, and making a request is another burden on management time and resource. Our team of recovery, operations and tax dispute specialists can immediately assess options and rapidly implement solutions to help ease financial pressure, and free up valuable management time to focus on running the business.

Potential Issue	Key questions	How we can help
Liquidity is squeezed and we are not certain there is enough cash to pay our tax bill	<ul style="list-style-type: none"> • What timely financial information, including accurate short-term cash flow forecasts, do you have readily available? • What is your short-term cash flow situation? • How much do you have invested in working capital, and how liquid is this? • What other sources of funding, e.g. Banks, have you already approached? • Have you breached (or are about to breach) banking covenants? 	<p>We work quickly to define and assess your options to understand if an approach to HMRC is your best option, and what alternatives there might be.</p> <p>For instance, there maybe improvements in your working capital which could be made that would release cash into the business. We can help you generate cash from working capital to respond to short-term liquidity issues, whilst balancing any potential knock-on impact that might have with HMRC and other financial stakeholders.</p>
Our payment to HMRC is overdue	<ul style="list-style-type: none"> • What dialogue have you had to date with HMRC and have you asked for Time to Pay? What was the outcome of that? • Does the overdue amount breach the £1m threshold? 	<p>No one likes surprises, and that applies to HMRC too. We always advocate early, open dialogue with stakeholders that encourages trust.</p> <p>Being hesitant about delivering ‘bad news’ is natural, and we can facilitate dialogue with HMRC, as well as other key stakeholders, and help you to prepare, draft and present robust information to them to address any concerns.</p>
A tax deferral request is our last resort – we have little or no headroom in our covenants and our lender has refused to support us further	<ul style="list-style-type: none"> • Has your lender asked for an IBR? What further action are they taking? • Have you discussed with your lender plans to ask for Time to Pay? • What support can your shareholders and other stakeholders provide? 	<p>PwC has a strong track record in managing stakeholder relationships and significant expertise in crisis situations where there are financial, resource and time constraints.</p> <p>We can help you respond to any planned IBR requested by your lenders.</p>
We have asked HMRC for Time to Pay but been refused	<ul style="list-style-type: none"> • How much was the request for? • What reasons did HMRC give for the refusal? 	<p>We have succeeded in achieving tax deferral requests for clients, even where previous requests and Time to Pay arrangements have failed.</p>
A number of companies in our Group will need Time to Pay, we are unsure how to approach HMRC	<ul style="list-style-type: none"> • How many entities have already approached HMRC for Time to Pay? • What access to timely management information do you have, to assess and forecast cash requirements? 	<p>The introduction and assessment of IBRs by HMRC will mean separate requests by companies with a single parent may be grouped together and treated as one.</p> <p>In addition, it’s possible that large six-figure deferral requests for more than one year, or businesses with complex structures, might also require an IBR.</p>
We have submitted a request for Time to Pay to HMRC and been told we need to have an IBR	<ul style="list-style-type: none"> • How much is the Time to Pay request for? • If it is under £1m, how long have you asked to defer for? • Does the request cover a number of different entities in the corporate structure? If so, how many? • What other sources of funding, e.g. Banks, have you already approached? 	<p>HMRC will request an IBR to help determine:</p> <ul style="list-style-type: none"> • Is the underlying business viable? • How much cash support does the business require? • Is the proposed repayment period reasonable and affordable? <p>Our experience dealing with Time to Pay requests has shown that how you present to, and engage with, HMRC makes a huge difference to the outcome. We can facilitate dialogue with HMRC/ stakeholders, and assess your options to either prepare the IBR and/or resolve your cash concerns in the short and long-term.</p>

Frequently asked questions

What constitutes a tax deferral request?

Any request to delay payment of VAT, PAYE, Corporation tax, or less often, Stamp Duty or National Insurance Contributions, constitutes a tax deferral request. This applies whether the request is for one type of tax, e.g. VAT, or a combination of all of the above.

What is an Independent Business Review (IBR)?

An IBR provides a common information platform that gives financial stakeholders of a business, typically lenders, a view of the solvency and viability of the business.

We have developed a tailored IBR report in conjunction with HMRC, to ensure our IBRs address all of the criteria it has outlined, in a format that helps it to determine the viability of the company and assess the proposed payment plan.

Will I need an IBR?

If you anticipate you will need to approach HMRC to consider deferring more than £1m of tax, you will need an IBR. HMRC will consider the combined total of requests, so, for example, if you are seeking to defer £500,000 of both VAT and PAYE, HMRC considers this as one request of £1m. In addition, it's possible that large six-figure deferral requests for more than one year might also require an IBR.

Do I meet HMRC's criteria for a tax deferral?

HMRC will seek to use the IBR to help it answer three key questions:

- Is the underlying business viable?
- How much cash support does the business require?
- Is the proposed repayment period reasonable and affordable?

It is likely HMRC will seek assurances that the company has exhausted all other sources of funding, and that a tax deferral request under the Time to Pay scheme is the last resort.

Who pays for the IBR?

HMRC has stated that the cost of the IBR will be borne by the business, which it feels is relatively small in comparison to the deferral amount. The costs of IBRs will vary, as it very much depends on the size and complexity of the business.

Are there any other benefits to having an IBR?

We conduct a large number of IBRs for companies and their financial stakeholders, and in our experience the IBR is helpful and constructive, and helps companies to:

- Get clarity around their options and make balanced decisions
- Know how they are benchmarked against other peers in their sector or marketplace
- Understand sensitivity analysis and the risks to their recovery.

What does this change for businesses dealing with HMRC?

The requirement for an IBR signals a change in the landscape for businesses in their interactions with HMRC. It's possible, for instance, that HMRC will seek to have dialogue with other stakeholders in the business, especially to ensure that all other options to secure alternative funding have been exhausted. Nor is HMRC likely to tolerate a quantity of regular smaller requests; it will expect businesses to plan ahead for requirements. Likewise, the introduction and assessment of IBRs by HMRC will mean separate requests by companies with a single parent may be grouped together and treated as one.

What happens if I just withhold payment from HMRC?

Aside from the legal implications (for instance, money laundering regulation) for all parties there may be personal implications for the directors as they could be seen to be trading insolvently. Time to Pay also requires time to plan and approaching HMRC on the 19th of the month for a deferral is unlikely to be received warmly.

How soon should we approach HMRC to discuss deferring our tax payment?

We always advocate early, open dialogue with stakeholders that encourages trust. Being hesitant about delivering 'bad news' is natural, and we can facilitate dialogue with HMRC, as well as other key stakeholders, and help you to prepare, draft and present robust information to address concerns. If discussions on a Time to Pay arrangement commence before the due date for payment, HMRC will not apply surcharges and similarly it will not affect gross payment status for businesses within the construction industry.

Our experience

Project Scott: Large infrastructure management business - Successfully negotiated deferral of £15m combined PAYE and VAT over 24 months, where previously agreed arrangements had failed.

Top football club: Supported management to prepare tax deferral and facilitated negotiations with HMRC to successfully defer £6.5m PAYE and £3m VAT payments.

Top football club: Provided hands-on support to prepare proposal (providing information similar to an IBR), whilst managing other financial stakeholders. Successfully deferred over £7.5m of combined PAYE and VAT over 10 months.

Building supplies plc: Initial company-negotiated Time to Pay request was rejected, we facilitated discussion with HMRC to understand reasons for failure, supported management in new proposals and successfully negotiated £1.25m of combined PAYE and VAT over 12 months.

Large printing co: Engaged to support business after initial £1.5m Time to Pay arrangement failed. Successful negotiation of full amount over 12 months.

Software company: The company's own attempts to secure deferral of PAYE failed; business owners not willing to inject further funds. We successfully negotiated with senior HMRC members and secured a £7m deferral over 12 months.

Building company: Successfully agreed £5m PAYE over 12 months after initial decision to grant a deferral was reversed within HMRC. Negotiations with senior HMRC collection members were key.

Telecoms company: £700,000 PAYE deferral agreed for 6 months.

Contacts

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