

How to pay VAT

This guide offers a reminder of VAT payment deadlines and explains all of the available payment options. HM Revenue & Customs (HMRC) recommends that you make all of your VAT payments electronically. If you submit your VAT Return online then you must make payment electronically. HMRC counts all of the payment methods below as electronic apart from payment by post. Paying electronically:

- is safe and secure
- gives you better control over your money
- provides certainty about when your payment will reach HMRC
- avoids postal costs and delays
- lets you pay at a convenient time if you use Direct Debit, internet/telephone banking or debit or credit card over the internet
- in most cases gives you up to seven extra calendar days in which to pay - or at least ten calendar days if paying by Direct Debit online

If the VAT payable to HMRC on your return is less than £1, then you don't need to pay anything to HMRC or carry the amount forward.

From 1 April 2010 it will be mandatory for all VAT-registered traders with a turnover of £100,000 or more, plus any newly registered traders (regardless of turnover), must submit their returns online and pay electronically.

Update: changes to cheque payments by post

From 1 April 2010 all cheque payments made by post will be treated as being received by HMRC on the date when cleared funds reach HMRC's bank account.

This means that you must allow enough time for the payment to reach HMRC and clear into HMRC's bank account no later than the due date shown on your VAT Return. A cheque takes three bank working days to clear. Bank working days are Monday to Friday excluding bank holidays.

To allow for possible postal delays (for which HMRC is not responsible) please allow at least three working days for the cheque payment to reach them and a further three days for the payment to clear HMRC's bank account.

If your cheque payment does not clear by the due date shown on your VAT return you may be liable to a surcharge for late payment.

This change does not affect any cheque payments made by Bank Giro.

Update: HMRC's old bank accounts are closing

HMRC bank account details changed on 8 July 2009. Since the new accounts were introduced HMRC has continued to accept payments made using the old HMRC account details.

You must now use the new HMRC bank account details, shown in this guide to make electronic payments by Bacs Direct Credit, internet/telephone banking or CHAPS.

During 2010 HMRC's old bank accounts will be closed and any payments made using these old accounts may be returned.

You may be liable to a surcharge if your payment is not received by HMRC by the agreed deadline date.

If you are paying HMRC by Bank Giro then you will receive a booklet of paying-in slips with HMRC's new NatWest account details shortly. Please start using the new booklet as soon as you receive it.

VAT payment deadlines

You are responsible for calculating how much VAT you owe and for paying VAT on time. Paying on time will help you avoid having to pay a surcharge.

In most cases, paying electronically will provide you with up to seven extra calendar days in which to pay. This means that you must ensure that cleared funds reach HMRC's bank account by the seventh calendar day after your standard due date. The exception to this is payment by Direct Debit as HMRC will automatically collect payment from your bank account three bank working days after the extra seven calendar days following your standard due date.

If you send payment by post the payment deadline is the date that your VAT Return is due.

If you miss the payment deadline you may be liable to a surcharge for late payment.

Please note that you must pay your VAT electronically if you submit an online return. If you submit a paper return, you can either pay electronically or enclose payment with your return.

Annual Accounting Scheme

If you use the Annual Accounting Scheme the deadlines work differently because you spread payments throughout the year and only submit one return per year. The deadline for making any final balancing payment is the date that your return is due, which is two months after the agreed year end date for the scheme. The extra seven or ten calendar days referred to earlier when paying electronically don't apply with this scheme.

Payments on Account

If you make payments on account (POA), your interim payments are due on the last working day of the second and third month of every VAT quarterly period, and must be made electronically. Your return, along with your balancing payments, is due on the last working day of the month. If you are subject to POA you don't qualify for the seven extra days for paying VAT electronically. To help you pay on time, you might want to visit the Business Link website where you can create a calendar of key tax deadlines for the next 12 months. You can also sign up to receive regular email alerts as each date approaches.

Paying VAT by Direct Debit

Direct Debit online

If you've signed up for the VAT Online service you can pay your VAT Return by Direct Debit. HMRC recommends that you pay by Direct Debit because your payments are collected automatically from your bank account on the third bank working day after the extra seven calendar days following your standard due date.

When you can't use the online VAT Direct Debit payment facility

You can't use the online VAT Direct Debit payment facility if:

- you make payments on account and submit quarterly returns
- you submit paper VAT Returns
- you use the Annual Accounting Scheme, except to make a balancing payment - but you can set up manual Direct Debit payments - see the later section on the Annual Accounting Scheme

Who can set up the Direct Debit Instruction?

Only the person authorised with your bank or building society can set up a Direct Debit Instruction (DDI). If you are an agent you must be an authorised signatory on your client's bank account to set up a DDI online on their behalf.

Setting up payments - how much time to allow

If you are about to submit your return and want to pay by Direct Debit for the first time, you will need to set up the DDI, **before you submit your return** and at least **five bank working days before the payment collection date**. The payment collection date is three bank working days after the date that your return is due, for example, collection dates are 11 August, 10 September, 12 October. The date that your return is due will be shown on-screen. If the collection date for the return is less than five bank working days away the Direct Debit won't take effect and - **for that return only** - you must pay by a different electronic method. Bank working days are Monday to Friday, excluding bank holidays.

How to set up VAT Online Direct Debit payments

To be able to set up the Direct Debit Instruction you must already be signed up for the VAT Online service. To set up the online Direct Debit Instruction you will need to:

- Log in to the **VAT Online** service.
- Select '**Access service**' under '**Submit a VAT Return/set-up VAT Direct Debit instruction**' - this takes you to the '**At a glance page**'.
- Click on the '**Direct Debit**' link in the left-hand menu or the '**Set up a Direct Debit Instruction**' link in the middle of the page.
- Enter and then confirm the bank account details for the Direct Debit Instruction and then confirm the two statements on-screen - that you are the account owner and that the account does not require multiple signatories.
- Check the on-screen message that tells you the earliest date that HMRC will collect payment from your account and confirm that all of the details are correct. If they're not, go back to the previous screen to make corrections.
- View the online Direct Debit Instruction on-screen prior to submission.
- Re-enter your user ID and password as an additional security measure and submit.

You will receive an on-screen message confirming that your online Direct Debit Instruction has been successfully set up. You can save a copy to your computer or print for your records.

Once the Direct Debit Instruction is setup it will automatically collect the VAT shown as due on your future online VAT Returns. Your payment will be collected on the third bank working day after the extra seven calendar days following your standard due date.

Only the amount shown as due to HMRC on your online return will be collected by Direct Debit. HMRC won't collect any other outstanding amounts in this way.

Your bank statement

Once HMRC starts to collect your payments by Direct Debit it will appear on your bank statement with the description 'HMRC VAT'.

Canceling or amending an online Direct Debit payment

Your Direct Debit payment cannot be cancelled or amended via the online service. Instead, you should contact your bank and they will automatically advise HMRC of any changes. This includes when your Direct Debit Instruction is being transferred to a different bank, or when it is transferred to a different branch within the same bank. HMRC will only be able to make amendments notified by your bank or building society.

How to set up manual Direct Debit payments for Annual Accounting

You can't use the online VAT Direct Debit service for your regular Annual Accounting Scheme payments but you can set up a manual Direct Debit. To do so simply choose Direct Debit as your preferred payment method when applying to join the scheme and include a completed Direct Debit form with your application.

You can, however, use the VAT Online Direct Debit service to make a balancing payment when submitting your annual return - follow the earlier instructions on setting up an online Direct Debit.

Changing your Annual Accounting Scheme payment method

When using the Annual Accounting Scheme, you are expected to stay with your chosen payment method for at least 12 months. If you wish to change payment method after this period you need to notify HMRC's Annual Accounting Registration Unit:

HM Revenue & Customs
Annual Accounting Registration Unit
National Registration Services
Imperial House
77 Victoria Street
Grimsby
DN31 1DB

Paying VAT by internet, telephone banking or Bacs Direct Credit

You can use your bank or building society services to pay by internet, telephone banking or Bacs Direct Credit (available to businesses that are authorised by their bank to submit files direct to Bacs).

To make the payment you'll need HMRC's bank account details given below and your VAT registration number.

If you pay using any of these methods, your bank will transfer your money electronically and you may receive up to an extra seven calendar days after the standard due date for the payment to reach HMRC.

It normally takes three bank working days for payment to reach HMRC. Bank working days are Monday to Friday excluding bank holidays. Some bank and building societies can take longer. You should check with your bank or building society to see how long they take to transfer payment and what their cut-off time is for initiating payment. If they take longer then you will need to initiate your payment earlier.

Please take care if you need to enter HMRC's bank account details. If you make a mistake with the sort code or account number there may be a delay before your record is credited or your payment may not be received at all. You may also be liable to a surcharge for late payment.

HMRC's bank account details

Sort code	Account number	Account name
08 32 00	11963155	HMRC VAT

Your VAT registration number

You must give your VAT registration number as the reference number which is made up of nine digits. When you receive correspondence from HMRC the number will be shown in the format 123 4567 89 but when making payment it is important that you show the number with no gaps between the characters, for example 123456789 (this reference is only an example and should not be used to make a payment), otherwise there could be a delay in updating your record.

Paying VAT by debit or credit card over the internet: BillPay

If you have a debit or credit card issued by a UK card issuer, you can pay your VAT over the internet using the BillPay service provided by Santander Corporate Banking (formerly Alliance & Leicester Commercial Bank).

Please note:

- If you wish to pay by credit card a non-refundable transaction fee of 1.25 percent will be added to the charge. Any charge of less than £0.01 will be rounded up to a penny.
- HMRC does not accept American Express or Diners Club cards.
- You cannot pay surcharges, interest or penalties this way.

A BillPay payment takes three bank working days to reach HMRC. Bank working days are Monday to Friday excluding bank holidays

Information you will need

To make a payment you will need your:

- debit or credit card details
- VAT registration number - this is made up of nine digits, for example 123 4567 89 (this reference is only an example and should not be used to make a payment) which must be entered without spaces

Disclaimer

The BillPay service is an Santander Corporate Banking (formerly Alliance & Leicester Commercial Bank) product. HMRC will liaise with the supplier in the unlikely event that there are difficulties with access or service availability.

Paying VAT by CHAPS transfer

The CHAPS system enables you to tell your bank to make an immediate payment that will reach HMRC on the same day provided you initiate payment within the time specified by your bank (usually between 9.00 am and 3.00 pm). CHAPS payments are more expensive than other payment methods but may be of benefit if you are making very large payments.

You may also receive up to an extra seven calendar days after the standard due date for your CHAPS payment to reach HMRC.

Providing HMRC bank account details

To pay your VAT by CHAPS transfer you will need HMRC's bank account details.

Please take care if you need to enter HMRC bank account details. If you make a mistake with the sort code or account number there may be a delay before your record is credited or your payment may not be received at all.

You may also be liable to a surcharge for late payment.

HMRC's bank account details

Sort code	Account number	Account name
08 32 00	11963155	HMRC VAT

Your VAT registration number

You must give your VAT registration number as the reference number which is made up of nine digits. When you receive correspondence from HMRC the number will be shown in the format 123 4567 89 but when making payment it is important that you show the number with no gaps between the characters, for example 123456789 (this reference is only an example and should not be used to make a payment), otherwise there could be a delay in updating your record.

Paying VAT by Bank Giro

If your bank or building society offers the Bank Giro service you can make a VAT payment at your own bank or building society branch by cheque or cash using a Bank Giro paying-in slip. HMRC treats any payment made by Bank Giro as electronic which means you may get up to an extra seven calendar days after the standard due date for the cleared payment to reach them. The new change relating to cleared funds for cheque payments by post does not affect any bank giro payments made by cheque.

To use this payment method you need to ask HMRC to send you a book of Bank Giro paying-in slips that are pre-printed with your VAT registration number and the HMRC bank account details.

You can order a book of paying-slips by email or over the telephone.

Please note it can take four to six weeks for VAT Bank Giro paying-in slips to be printed and sent to you. If you need to make a payment before your paying-in slips arrive then you'll have to pay by one of the other payment methods described earlier in this guide.

Information you'll need to provide

HMRC will need the following information from you:

- VAT registration number
- company name

Ordering by telephone

To order by telephone please call HMRC Paying-in Slip Orderline on Tel 01702 366376 or 01702 366314. You will be asked to leave your VAT number on an answer machine and HMRC will then arrange to send you a book of paying-in slips. Once you have received your book of paying-in slips:

- take your paying-in slip to your own branch (other banks may refuse to accept it or may charge you for this service)
- make cheques payable to 'HM Revenue & Customs only' followed by your nine-digit VAT registration number

To allow for possible delays in bank processing (for which HMRC is not responsible) please allow at least three bank working days for your payment to reach them. Bank working days are Monday to Friday excluding bank holidays.

HMRC is now using NatWest as its new bank giro supplier. When making a payment you must make sure that you are using a payslip that shows the new NatWest account details. Payslips containing HMRC's old Bank of England account details can no longer be used.

During 2010 HMRC's old Bank of England accounts will be closing and any payments made using these old accounts may be returned.

If you only have Bank of England payslips you now need NatWest payslips in order to make your payment. Please contact HMRC using the telephone number or email address given above to arrange for new ones to be sent to you.

Paying VAT by standing order

You can pay your VAT by standing order if you have been accepted for the following schemes:

- Annual Accounting
- Payment on Account

Annual Accounting

If you want to pay by standing order you need to indicate this on the form when you apply for the Annual Accounting Scheme. Once your application is accepted HMRC will send you a standing order mandate that tells your bank how much and when to pay them. You will then need to fill in the rest of the form with your bank account details and send it to your bank so they can set up the standing order.

You are expected to stay with your chosen payment method for at least 12 months. If you wish to change payment method after this you need to notify the Annual Accounting Registration Unit by writing to the address below:

HM Revenue & Customs
Annual Accounting Registration Unit
National Registration Service
Imperial House
77 Victoria Street
Grimsby
DN31 1DB

Payment on account

If you wish to make payments on account by standing order, you may use HMRC's standing order authority form which contains the HMRC bank account details you will need.

If you want to set up a standing order via internet or telephone banking you will need to provide HMRC's bank account details. Please take care if you need to enter HMRC's bank account details. If you make a mistake with the sort code or account number there may be a delay before your record is credited or your payment may not be received at all. You may also be liable to a surcharge for late payment.

HMRC's bank account details

Sort code	Account number	Account name
08 32 00	11963155	HMRC VAT

Your VAT registration number

You'll also need to give your VAT number as the reference number which is made up of nine digits. When you receive correspondence from HMRC the number will be shown in the format 123 4567 89 but when making payment it is important that you show the number with no gaps between the characters, for example, 123456789 (this reference is only an example and should not be used to make a payment), otherwise there could be a delay in updating your record.

Paying VAT by post

From 1 April 2010 all VAT-registered traders with a turnover of £100,000 or more (exclusive of VAT), plus any newly registered traders (regardless of turnover) must submit their returns online and pay electronically. You should no longer send your cheques to HMRC by post, instead, you should use one of the electronic payment methods listed elsewhere in this guide.

If you are required to pay by cheque due to your internal operational requirements or by other legislation, please do so using a Bank Giro at a participating bank or building society. For more information on how to do this see the section in this guide 'Paying by Bank Giro'.

If you're not yet required to file online and pay electronically you can still pay by posting HMRC a cheque, if you wish. If you do so there are important changes that take effect from 1 April 2010 which will affect when you pay.

From 1 April 2010 all cheque payments sent to HMRC by post will be treated as being received by HMRC on the date when cleared funds reach HMRC's bank account - not the date when HMRC receive the cheque.

This means you must allow sufficient time for the payment to reach HMRC and clear into HMRC's bank account, no later than the due date shown on your VAT Return. A cheque takes three bank working days to clear. Bank working days are Monday to Friday excluding bank holidays.

To allow for possible postal delays (for which HMRC is not responsible) please allow at least three working days for the cheque payment to reach them and a further three days for the payment to clear HMRC's bank account.

If your cheque payment does not clear by the due date shown on your VAT return, you may be liable to a surcharge for late payment.

However if paying by post please:

- make your cheque payable to 'HM Revenue & Customs only' followed by your nine-digit VAT registration number and send it with your return using the pre-addressed envelope provided by HMRC
- do not fasten the cheque with paper clips or staples or in any other manner

If you are sending a payment to HMRC with your return and do not have a pre-addressed HMRC envelope please send your return and payment to:

HM Revenue & Customs
VAT Controller
VAT Central Unit
BX5 5AT

If exceptionally you need to use a courier service to deliver your return please use the following address:

HM Revenue & Customs
Alexander House
Southend
SS99 1AA

HMRC recommends that you make your VAT payments electronically using one of the methods described elsewhere in this guide. Electronic payments are safe and efficient, provided you give HMRC an accurate reference number (for example your VAT registration number). In most cases, when paying electronically you will receive up to seven extra calendar days to pay, or if you pay by Direct Debit, ten calendar days.

Paying VAT from an overseas bank account

You can pay your VAT electronically from your bank account, even if it's not in the UK. HMRC may give you up to an extra seven calendar days after the standard due date for electronic payments to reach them. You must still ensure your cleared payment reaches them by the seventh calendar day after your standard due date.

You will need to provide your bank or building society with HMRC's bank account details. Please take care if you need to enter HMRC bank account details. If you make a mistake with the sort code or account number there may be a delay before your record is credited or your payment may not be received at all.

The account name you should use is 'HMRC VAT'.

Currency	International Bank Account Number (IBAN)	SWIFT Bank Identifier Code (BIC)
Sterling and foreign currencies (including euro)	GB25CITI08320011963155	CITIGB2L

Note: Where an IBAN is shown you must give this number **as well** as the **SWIFT BIC**.

Your VAT registration number

You must give your VAT number as the reference number which is made up of nine digits. When you receive correspondence from HMRC the number will be shown in the format 123 4567 89 but when making payment it is important that you show the number with no gaps between the characters, for example 123456789 (this reference is only an example and should not be used to make a payment), otherwise there could be a delay in updating your record.

No VAT payment due

You must let HMRC know if you have no VAT payment due by completing your VAT Return showing that either a 'nil' payment is due, or that you are claiming a VAT repayment. The best way to do this is to send in your return online. If sending a paper return you must complete and return it by the due date shown on the top right hand side in the pre-addressed envelope provided.

From April 2010 it will be mandatory for all VAT-registered traders with a turnover of over £100,000 (exclusive of VAT), plus any newly registered traders (regardless of turnover), to submit their 'nil' returns online.

If you do not send in your completed return by the due date an automatic assessment of the VAT due for that period will be sent to you.

Information about the Faster Payments Service

HMRC is currently unable to receive or make payments using the Faster Payments Service (FPS), which is offered by some banks; however it will be reviewing the situation during 2010. In the meantime HMRC offers a range of cost effective electronic payment methods including Direct Debit, payment by debit and credit card over the internet, and direct credit via customers' own internet and telephone banking facilities.

This has edited for the full details go the HMRC website at:

www.hmrc.gov.uk/payinghmrc/vat.htm#2