



Voluntary Arrangements – HMRC's position going forward

This note explains HMRC's approach to variations and new proposals in respect of Individual Voluntary Arrangements (IVAs), Partnership Voluntary Arrangements (PVAs) and Company Voluntary Arrangements (CVAs) from 1 July 2020 until 30 November 2020.

Existing arrangements

Some companies or individual debtors with voluntary arrangements believe they'll continue to have difficulty in paying contributions because of COVID-19. In these cases, supervisors can use any discretion within the terms of the arrangement to allow a contribution break without reference to creditors.

For IVAs where the IVA Protocol Standard Terms and Conditions apply, clause 8(8) allows flexibility. For arrangements where this isn't an option, the supervisor should work with the debtor or company to understand whether the arrangement as it stands remains viable, or whether it would be viable if varied. This is a matter for case-by-case consideration and HMRC will not support 'mass variations' in connection with COVID-19.

For companies and individuals where the HMRC liability arises from on-going trading, our support is given provided payment of post voluntary arrangement (VA) taxes is a priority.

We recognise that paying these taxes whilst maintaining VA contributions will be a challenge for some as we emerge from the pandemic. We will support variation of proposals:

- to allow contribution breaks in each of the two years following approval of the variation; these can be taken in aggregate or as on cases where the supervisor is satisfied that they are necessary and that they will enable post-VA taxes to be paid on time and in full
- to allow any fixed duration to be extended to allow a catch-up of missed contributions.

We may also:

- support a longer contribution break in appropriate cases, where this is likely to ensure the longer-term viability of the arrangement
- agree to the deferral of equity realisation where the current situation prevents the debtor or company from complying with the existing deadline.

We will look critically at variations that seek to end the arrangement early. We are unlikely to support the removal of asset realisation clauses in any but the most exceptional circumstances.

New proposals

HMRC will continue to look at proposals within the framework set out in the [VAS help-sheet](#).

The impact of COVID-19 means that a good history of paying taxes on time may no longer be a reliable indicator for individuals or companies proposing a voluntary arrangement. We are reliant on practitioners to report as fully as possible on the nature of the business, the impact of COVID-19 on its trade, what countermeasures have been taken and to bring their professional judgment to bear on the viability of the business and voluntary arrangement.

For those with a longer, less positive history, this objective reporting is even more critical. It should explain pre-COVID-19 tax arrears, as well as the impact of the pandemic on that business.

On new proposals, we again see payment of post-arrangement taxes as vital. We would ask that practitioners look critically at how this can be achieved. Depending on the circumstances of the debtor or company, we would support a flexible approach, looking positively at:

- variable contributions from the outset to accurately reflect cash-flow variations, and some limited flexibility for supervisors to reduce contributions temporarily
- contribution breaks in years one and two, as outlined above, to enable the debtor or company to pay taxes as they fall due.

Given the substantial support that has been provided, we would also expect to see that PAYE and National Insurance Contributions (NICs) arising from Coronavirus Job Retention Scheme (CJRS) payments have been paid. If not, these must be treated as priority payments in the arrangement, ahead of all other unsecured creditor claims (including other elements of HMRC's claim).

A condition of the CJRS grant is that related PAYE tax, employer NICs and pension contributions due on wages are paid. Until 31 July, a claim can be made for these for the hours the employee is on furlough. From 1 August employers will no longer be able to claim for employer NICs and pension contributions.

If you think the taxpayer may struggle to pay outstanding tax liabilities, please contact us as soon as possible. They may be eligible to receive support with their tax affairs through HMRC's Time to Pay service.