



Business guide to Time to Pay

What is Time to Pay?

Time to Pay (TTP) offers businesses who owe the HMRC ('the Crown') money, and who are deemed 'viable', an extended period in which to settle what they owe. Arrangements are tailored to the ability of the customer to pay and typically last a few months. This period can be longer, and in exceptional circumstances can be as long as 12 months or more, but such arrangements are indeed exceptional.

Am I entitled to it?

Not every business has the right to TTP; every application is assessed on a case by case basis, and only agreed when the HMRC is satisfied that the customer cannot pay their liability on the actual due date, and that it has met various objective criteria applied in each case.

How does it work?

The customer offers the best payment proposal that they believe they can realistically afford, and evidence their submission (primarily) with predicted cashflows. The amount of information a business is obliged to provide often varies with the associated risk – ie the larger the liability the greater the risk and the greater the need for more information. Assuming they can satisfy the Crown that they can service both the existing and the accrued (ie future) liabilities then their proposal will most likely be accepted.

“Entering into a Time to Pay arrangement is a positive step and may be considered a defence against a wrongful trading claim.”

"The Crown can help a struggling business survive, but it is by no means a panacea."



So where can - and does - it go wrong?

In more than three quarters of all administrations handled by the SFP Group in 2012, the major creditor (often referred to as 'the silent creditor') was the Crown. Of these, more than half were businesses that had failed after having been given Time to Pay. Part of the problem lies in the issue of validation. In most cases, there is no requirement for an independent validation of any of the material provided as part of a TTP submission. HMRC is therefore normally expected to make a decision based on the information it receives.

Wrongful trading

Wrongful trading occurs when the directors of a company are aware that it is insolvent and nevertheless continue to trade with no reasonable prospect of overcoming the company's difficulties and the company subsequently enters into liquidation. If wrongful trading can be determined, the directors may find themselves personally liable for a proportion of the company's debts.

Assuming the company has maintained its TTP with the Crown at the date of liquidation, it may assist to show that the directors attempted to improve the position of the company and a TTP may be a valid defence against a wrongful trading claim.

Head in the sand

Culturally, businesses and businessmen struggle with having to pay HMRC, principally because it doesn't have a 'face'. It is not a creditor in the 'traditional' sense with whom they trade on a day-to-day basis, or have any close working relationships with, and the 'debt' is a liability that is not always immediately apparent. But it can be nonetheless fatal for a business already struggling with cashflow. The forbearance being offered by The Crown can help a struggling business survive, but it is by no means a panacea.

Professional help

Companies thinking of entering a TTP agreement should first seek professional help. Other options such as refinancing or an informal/formal arrangement with your creditors may be more appropriate. Increasingly there is a trend towards larger creditors working with their customers, at least in the short term, to help keep them afloat, especially where the customer is seen as being a valuable channel in which a creditor's goods can be promoted and sold.

If, after taking the advice of an expert, the option of Time to Pay is still preferred, then ask your adviser for help in putting your submission together. The chances of your request being granted are considerably enhanced if working with a professional, and that professional is also often able to speak to the HMRC on your behalf, and with a different perspective. If your request for TTP is approved, then continue to work with your adviser to monitor your performance. They will be able to highlight issues early that may become a serious problem later.

If considering a Time to Pay arrangement:

- Recognise you have an issue with your cashflow
- Seek help early from a professional turnaround specialist
- Consider other options such as refinancing
- Discuss a formal/informal arrangement with your creditors
- Work with your adviser in putting your Time to Pay submission together
- Continue working with your adviser to monitor your performance
- Accrue for your future/ongoing liabilities

The SFP Group

The SFP Group provides an unrivalled mix of tailored services within the commercial finance sector. Recognised as the UK's fastest growing team of turnaround and corporate recovery specialists, SFP helps businesses with access to new finance, as well as providing services to lenders including Independent Business Reviews and Audits, Forensic Accounting, Asset Recovery, Collections and the management and recovery of property. Whatever the business need, SFP works with lenders, and their customers to ensure the best possible outcome.

Contact us

If you would like further help and advice regarding Time to Pay, then contact Simon or Daniel Plant at the SFP Group on **020 7538 2222** or email enquiries@sfpgroup.com