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Don't rely on Time to Pay, firms told

30/03/10 10:25

Acceptance onto the government's Time to Pay scheme is not guaranteed and businesses must not rely on it, accountants have warned.

The scheme, which was introduced as a temporary recession measure and made permanent in last week's Budget, allows companies to spread payments of various taxes including VAT and Corporation Tax over a longer period instead of paying in one lump sum.

However, companies have been urged to focus more on better cashflow planning as opposed to deferring tax payments.

"The Time to Pay scheme has merit but it can also just be papering over the cracks of deeper financial problems," warned Alan Woods, director of accountancy firm Woods Squared.

"The reality is that of the 300,000 agreements the government has signed, some have been with the same firm. The actual number of firms helped is 168,000, so there is no guarantee you will be accepted."

Woods said the current climate made it even more vital for companies to be aware of exactly how much tax they owed and what cash was left to spend.

"Too many businesses are misunderstanding the tax system, fundamentally underestimating their tax liability," he added.

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