



It is now more expensive to be late when it comes to making a VAT payment. The slowest payers now face a 250% increase to an annualised rate. In addition, the rate of late payment interest has also increased.

Late payment penalties

Payment for each VAT return is considered separately, and penalties can be avoided if a payment is made within 15 days of the due date. Keep in mind:

- An initial 3% penalty is charged if payment is made more than 15 days late (previously 2%).
- If more than 30 days late, a further 3% penalty is charged – so, a 6% penalty in total (previously 4%).

Furthermore, a daily penalty at an annualised rate of 10% is charged immediately after the initial 30-day period (previously 4%).

Late payment interest

Interest is charged from the due date until the date VAT is paid. This means that interest can be due even when no penalty has been incurred, because of the requirement to pay within 15 days. From 6 April 2025, HMRC has added a further 1.5% surcharge to the late payment interest rate, so it now stands at 8.5%.

With the bank base rate currently at 4.5%, the daily penalty rate of 10% and the late payment interest rate of 8.5% are somewhat punitive.

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Preventative measures

Simply burying your head in the sand over an overdue VAT liability will just see the debt spiral as penalties and interest are added on.

Setting up a time to pay arrangement will avoid penalties being charged. However, such an arrangement will not retrospectively remove any penalties already incurred, and late payment interest will still be charged. An arrangement cannot be set up by those using either the cash accounting or annual accounting schemes.

If some funds are available, it is better to make a payment on account by the due date, leaving only the balance to be paid late. This will avoid late payment interest as well as (if no arrangement is in place) penalties on the amount paid on time.

Details about setting up a payment plan can be found [here](#).

We can help

If you need further information, please call us on **01753 888 211** or email info@nhllp.com. We would be happy to help.