Toft Newton Parish Council

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Date: 9th July 2026
From: **Michael Lewis**
Reference:

Dear Sir or Madam,

Requiring payment of VAT and PAYE – Direct Debit consultation

Please find the response by Toft Newton Parish Council detailed below.

The following are our answers to your consultation questions:

1 We are an organisation - a small, rural parish council.

2 Yes, we are UK based.

3 These are the views of the parish council, as discussed with Councillors.

4 We are responding from England.

5 We are a parish council.

6 We have less than 20 employees.

7 Our annual turnover is less than £90,000.

8 All of our income comes from grants from the District and County Councils and other grant making bodies.

9 There has been a parish council covering the parish of Toft Newton since 1895, the current boundaries have barely changed since 1936.

10 As a statutory organisation with a statutory Responsible Financial Officer, we do not need an accountant, we are however subject to the requirements of public sector audit legislation.

11 We are a parish council that provides services and facilities for local residents.

12 Yes, we were aware that VAT payments can be made by Direct Debit.

13 We do not charge VAT due to being an exempt organisation, we do however, claim VAT back via a s126 claim annually. From the 2026-27 financial year we are moving to quarterly or half-yearly s126 returns.

14 As per our answer to question 13.

15 As per our answer to question 13.

16 As per our answer to question 13.

17 As per our answer to question 13.

18 No, but as stated in our answer to question 13, we only submit annual s126 reclaims.

19 As per our answer to question 13.

20 As a parish council we are exempt from submitting VATC9 forms. We do however submit s126 VAT reclaims electronically.

21 As a parish council we have to approve all payments at bi-monthly Council meetings - paying by Direct Debits might mean that payments are made prior to being approved by Councillors.

22 As per our answer to question 13.

23 As per our answer to question 13.

24 As per our answer to question 13.

25 Yes, we are aware that PAYE payments can be made by direct debit following the submission of our Real Time Information / RTI return.

26 We currently make monthly electronic bank transfers, although from July 2026 we are moving to quarterly electronic bank transfers, as our PAYE payments are small, and significantly below the threshold that would require monthly payments.

27 N/A

28 As per our answer to question 21.

29 We have not used Direct Debit to make PAYE payments.

30 As per our answer to question 21.

31 We believe that mandatory payment by Direct Debit will impact heavily on the whole Town and Parish Council sector.

If this is made mandatory, approximately 10,000 Town and Parish Councils will have to change their Standing Orders and Financial Regulations - these nationally agreed documents are effectively our governing documents and as a result of requiring payment by Direct Debit 10,000 Town and Parish Councils and the county and national organisations that represent us will have to amend these documents to ensure compliance.

At Toft Newton Parish Council, we will be required to change our bank account, as currently our current account does not allow for Direct Debit payments to be made.

Our banking provider might of course update the current account to allow Direct Debit payments, but at this point we are concerned that this will cause a significant amount of extra work, uncertainty and unnecessary stress for us as a very small, rural parish council.

We are also concerned about error on the part of HMRC; as during 2023-24 and 2024-25 HMRC were incorrectly adding late payment charges, fines and interest, and even initiated debt collection proceedings for an account that was closed by one of my predecessors in 2018.

Direct Debit payments would have resulted in thousands of pounds being incorrectly taken by HMRC - without permission, authority or need.

HMRC failed to accept that they had made a mistake adding late payment charges, fines and interest to a closed account and never apologised for doing so, or for instructing debt collectors. It was only after complaining to them for almost two years that they resolved this issue.

This was unacceptable and if repeated would result in HMRC incorrectly taking payments that they are not entitled to and then taking even longer to refund the payments.

We are a parish council with a precept for 2026-27 of just £10,608, which has only increased twice in the last eight years, taking these incorrect Direct Debit payments would have certainly resulted in a reduction in services and facilities being provided to residents of the parish of Toft Newton.

32 No, we are not excepted from submitting electronic PAYE returns.

33 As per our answer to question 21.

34 As per our answer to question 21.

35 No, we have not made a PAYE payment over £20 million, our monthly PAYE payment is usually less than £100.

36 N/A

37 N/A

38 Financial penalties will impact significantly on small Town and Parish Councils as well as self-employed individuals and the millions of UK small businesses.

39 There should be no change to the existing payment dates.

If changes to dates were to require all other forms of payments to be made a few days earlier than Direct Debit payments this would not have any significant impact on us as a small parish council, however, we believe that it could have a serious impact on smaller businesses and this may cause cash flow issues which might result in businesses closing down.

40 We appreciate that this review is about ensuring the Treasury receives the money it is entitled to at the correct time, but we feel that taxing individuals and businesses on all income earned in the UK, closing tax loopholes and making avoidance schemes illegal would yield more taxation than requiring PAYE and VAT to be paid by Direct Debit.

We also feel that the whole premise of sanctions is about adding fines and interest to increase the amount of money that the Treasury receives without consideration of the consequences.

Sanctions must be an absolute last resort and must not be unduly punitive.

41 My name is Michael Lewis.

42 As mentioned above, our organisation name is Toft Newton Parish Council.

43 My work e-mail address is clerk@toftnewtonparishcouncil.gov.uk.

44 Town and Parish Councils with small precepts / income would be wasting their limited public funds if fines are allocated to accounts that do not pay VAT or PAYE by Direct Debit this unnecessary change and resulting fines will reduce the services that small Town and Parish Councils can provide to their residents.

Satisfying HMRC / Treasury rules will create bureaucracy and waste time, while potentially damaging public services.

Town and Parish Councils need to balance their legal obligations with the needs of their parishioners; we should either be exempted from paying by Direct Debit or the government should allow Direct Debit and electronic bank transfers.

We trust that our comments will be considered as part of this consultation.

Yours sincerely,

Michael Lewis
Consultant to the Council