



Tax returns and payments in administrations

What you need to know

Tax may arise during the period of administration as a result of an administrator's actions. For example, if employees are paid by the administrator, then PAYE and National Insurance Contributions (NIC) liabilities to HMRC will arise. Or if supplies chargeable to VAT are made, VAT will be payable. These expenses rank for payment ahead of any remuneration payable to the administrator.

What we need you to do

Where a payment to an employee covers both pre- and post-appointment periods, the administrator should calculate the pro rata proportion of PAYE and NIC which apply to the post appointment period, then deduct and account for that PAYE and NIC. PAYE21130 outlines that a company's existing PAYE scheme should continue to be used for these post-appointment payments. A new PAYE scheme is not necessary. Any PAYE and NIC owed by the company prior to the appointment of the administrator would be a secondary preferential claim against the company.

Further questions

We have updated Insolvency [\(VAT Notice 700/56\)](#) guidance with information relating to this process. If you have any questions about this Insolvency Bulletin, please direct them to R3 or your representative group who will take them forward with HMRC.