

# Account Tax Ltd

*Chartered Certified Accountant and Registered Auditor*

## HMRC PENALTIES

A unified penalty regime is now in place. It applies to VAT, PAYE, tax returns and corporation tax.

The commonest source of errors is VAT. In the past we have had the flexibility to put these figures right at the year end. Provided the error was less than £10,000 it could simply be corrected on the next VAT return.

The new regime identifies 3 types of error, along with the standardised penalties as a % of the tax payable:

	Penalty
• Careless	30%
• Deliberate	70%
• Deliberate & concealed	100%

The penalty for carelessness can be mitigated to zero with unprompted disclosure, ie we find the mistake and correct it before a VAT visit is scheduled. HMRC give an example of a VAT error which they consider carelessness – missing a months invoice (this happens a lot) represents a failure to take reasonable care and would be penalised at 30% if it was picked up at a VAT visit.

Clearly 'in year' you need to take more care with VAT returns. This sentiment will be consolidated by the requirement to file VAT returns online from April 2010. It will be essential that you print off a record of the online submission for your file. It is our understanding that it can't be retrieved once submitted. To correct errors we need to be able to see what you submitted and check it to your underlying records. The workings behind each VAT submission should be retained. Reconciling VAT will become a specific part of the annual accounts preparation. Careless errors will then have to be corrected immediately to gain the advantage of zero penalties. This reinforces the benefit of preparing accounts as soon after your year end as possible.