

Understanding the different penalties HRMC applies across the UK tax system is an important aspect of the Principles of Taxation and the TPS Taxation courses.

HMRC has developed legislation to align the penalties and create a more simple and consistent approach.

THERE ARE FOUR MAIN REASONS WHERE A PENALTY WILL APPLY



Failure to notify chargeability



It is the taxpayer's responsibility to tell HMRC when they have not received a notice to file a tax return when they have income that is chargeable to tax.





If the taxpayer fails to notify HMRC of the chargeable income, a tax geared penalty will be imposed.



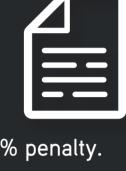
Penalties can be reduced for full disclosure, co-operation with HMRC and unprompted disclosure.

	penalty	prompted disclosure	unprompted disclosur
Careless action	30%	10% if within 12 months 20% if after 12 months	0 % if within 12 months 10 % if after 12 months
Deliberate action without concealment	70 %	35 %	20%
Deliberate action with concealment	100%	50 %	30%



Filing an incorrect tax return If a taxpayer files a tax return that contains a mistake, HMRC will charge a penalty if the mistake:

Is because the taxpayer failed to take reasonable care – 30% penalty.





Is deliberate, that the taxpayer sent the return with a mistake that they knew about but didn't try to hide - 70% penalty.



Is deliberate and concealed, that the taxpayer sent the return with a mistake and tried to hide it – 100% penalty.

	MAXIMUM penalty	MINIMUM penalty for prompted disclosure	MINIMUM penalty for unprompted disclosure
Careless action	30%	15 %	0%
Deliberate action without concealment	70 %	35 %	20%
Deliberate action with concealment	100%	50 %	30%

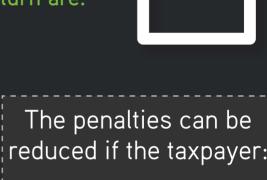


their own penalties), the penalties for a late return are:

Late filing of a tax return

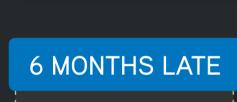
< 3 MONTHS LATE > 12 MONTHS LATE 100%

With the exception of VAT and stamp duty (which have





£10 Daily



on return or £300

5% of the tax due

to file the return with concealment.

for a deliberate failure

for a deliberate failure

70%

to file the return without concealment.

5% for a non-deliberate

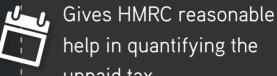
failure to file the return.

In each case a minimum penalty of £300 applies.

return.

failure to file the tax

Tells HMRC about the



help in quantifying the unpaid tax.

Allows HMRC access to

records to check how

much tax is unpaid.





tax, stamp duty reserve tax, stamp duty land tax

Failure to pay on time

of tax made late, as follows:

30 days after Penalty date normal payment date

Penalties are imposed in respect of any payments

Income tax, capital gains

Corporation tax Corporation tax return filing date

Further penalty of 5% based on:

Further penalty

Initial penalty

of 5% based on:

Unpaid tax at 5 months after penalty date

Any unpaid tax

at penalty date

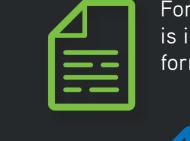
Unpaid tax at 9 months Unpaid tax at 11 months after penalty date after penalty date

Any unpaid tax at penalty date

Unpaid tax at 3 months

after penalty date

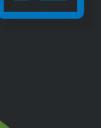
TOP TIPS FOR TAX PENALTIES



For the Principles of Tax course, all the information about penalties is included in the rates sheet - it is important to get familiar with the format of each penalty.

Question practice is essential in this area – there are lots

of Workshop Exercises which contain penalties in both



Don't forget that although the detail of tax penalties is covered in the Principles of Tax

the Principles of Tax and TPS Tax courses.



course, they can be (and have been) examined as part of a scenario in a TPS tax exam.