

# PEARSON MAY

CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS  
Originated 1841

37 Great Pulteney Street, Bath BA2 4DA  
T 01225 460491 F 01225 469775 E mail@pearsonmay.co.uk  
www.pearsonmay.co.uk

## New penalties from HMRC

**All who receive a Tax Return for completion or a Notice to complete a Tax Return will have received a single sheet setting out details of new penalties which will apply in respect of the late submission of Tax Returns and the late payment of tax.**

It seems that H M Revenue and Customs (HMRC) have decided that the old fine of £100 for being late with a Tax Return was not achieving the desired result.

The new penalties for submitting a Tax Return late are as follows:

- A £100 penalty will be charged even if you are only one day late and even if you have no tax to pay, or you have already paid all of the tax which you owe.
- If you are three months late with your Tax Return, you will be charged an automatic daily penalty of £10 per day up to a maximum of £900.
- If you are six months late with your Tax Return, you will be charged further penalties which are the greater of 5% of the tax due, or £300.
- For those who are really in arrears with their affairs and are twelve months late, further penalties are charged of 5% of the tax due, or £300, and in particularly serious cases, the taxpayer could face a higher penalty of up to 100% of the tax due.

### Penalties for paying late

- If you are thirty days late, you will be charged a 5% surcharge of the unpaid tax at that date.
- When you are six months late, a further 5% penalty will be

charged for the tax still unpaid, i.e. 10% of the tax unpaid will have been levied for borrowing money from HMRC for six months and a day, plus of course their interest charge on late paid tax. There cannot be many sources of potential borrowings which charge a higher overall rate of interest and charges than that.

- When the tax is twelve months late, a third penalty of 5% will be levied.

The penalties for late payment of tax are not charged if the taxpayer telephones HMRC and manages to reach a Time to Pay Agreement where the tax is paid by instalments, provided that that Time to Pay Agreement has been put in place before the due date for payment of the tax and that all instalments are met by the agreed date.

In general almost all penalties for late filings of Accounts, Tax Returns, PAYE and VAT Returns at HMRC and Companies House, particularly when they are late for consecutive years, have increased significantly in recent years. It is vital that those who are in arrears correct that position as soon as possible.

The costs of not doing so can escalate alarmingly and can bring about the demise of a business which has been struggling anyway.

*The above is for general guidance only and no action should be taken without obtaining specific advice ■*

**Partners:** M D Taylor FCA CTA TEP. N S A Oliver FCA FloD. K R S Surry FCA.  
D J Richards BA(Hons) ACA CTA. J Bowden BSc(Hons) ACA. J R Rose MMath(Hons) ACA CTA.

**Consultants:** G W Banwell BSc(Agric) FCA CTA TEP. A T Kerr FCA.

**Senior Tax and Trust Manager:** J M Diffell FCCA CTA TEP.

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