



"Keeping you informed"

Don't get caught for HMRC penalties

With the deadline for submission of 2010/11 self assessment tax returns fast approaching, taxpayers need to be aware of the recent changes to HMRC late filing penalties for late submission.

In previous years, late filing penalties could be mitigated to zero if no tax was outstanding at 31 January. However, from the 2010/11 tax return onwards, the penalties stand regardless of the income tax position. It is therefore more important than ever to submit your return to HMRC on time in order to avoid this unnecessary cost.

It is still possible to appeal against these penalties on the grounds that there is a reasonable excuse for late submission. However, this will only be accepted by HMRC in a very limited number of circumstances.

The new penalties are as follows:

1 day late:	£100
3 months late:	£10 per day for a maximum of 90 days
6 months late:	£300 or 5% of the tax due whichever is the higher
12 months late:	£300 or 5% of the tax due whichever is the higher

For example, a taxpayer with no tax outstanding at 31 January who submits a tax return over 12 months after the filing deadline could face penalties of as much as £1,600 as follows:

1 day late:	£ 100
3 – 6 months late:	£ 900 (£10 per day for 90 days)
6 – 12 months late:	£ 300
12 months late:	£ 300

Total penalties £1,600!

Whether these penalties can be mitigated on the grounds that they are unjust will only become clear once they are actually issued by HMRC and subsequently challenged by taxpayers and their agents.

If you are unsure about completing a return or require advice about whether you fall within self assessment contact our tax team who will be happy to discuss your circumstances and help you deal with your obligations.

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