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Introduction

Welcome to Chapter 6 of the Penalties for Inaccuracies Schedule 24 FA 2007.

In Chapters 2 and 3 you learnt how inaccuracies are identified, evidenced and disclosed. Chapter 4 explained how to calculate the Potential Lost Revenue (PLR), how penalties are calculated and how to decide on a suspension. In Chapter 5 you saw how penalties are approved and authorised.

In this Chapter you will learn

- how all of the information is brought together and input into the National Penalty Processing System (NPPS)
- how NPPS calculates the penalty, and how the summary calculations, penalty notices, suspension notices and other information that it produces, are used
- what you must do before all caseworkers have access to NPPS - **this is called the interim process.**

The first part of this Chapter gives you an overview of NPPS; it then explains the interim process you must use before you have full access to NPPS. NPPS is then explained in detail at sub-chapter 3.1.

Both the sections on NPPS and the interim process explain the differences to the standard process for

- VAT penalties involving the VAT Mainframe (VMF)
- VAT penalties that do not involve the Mainframe
- direct tax penalties for contract settlement cases
- direct tax penalties for non-contract settlement cases.

If you are not involved in compliance checks for any of these you can skip these sections but you must learn the standard processes.

Even if you already have access to NPPS in Caseflow, you must read the guidance in the Interim Process section about general administrative procedures.

Study Objectives

By the end of this chapter you will be able to

- describe what systems you should use to calculate a penalty
- state what information you will need to be able to calculate the penalty
- state when you must not use the penalty calculator
- state 2 examples of when you might have to issue an estimated assessment
- summarise NPPS and the interim process using SEES Toolkit.

Study Advice

This is the sixth chapter and we think it will take you around 3 hours to complete.

You will also need access to

- the Compliance Handbook (CH)

And you may also need access to

- the Enquiry Manual (EM) - Direct Tax only
- the Employer Compliance Handbook (EM) - Direct Tax only

You should also have completed Chapters 1-5 before working through this chapter.

6.1 NPPS and the Interim Process

The Caseflow Information System for Compliance will help you manage the full lifecycle of compliance checks - from the simplest of educational work through to the management of the most complex relationships with businesses. The latest details can be found on the Caseflow website. NPPS is the part of Caseflow that deals with penalties charged under Schedule 24 Finance Act 2007.

As a caseworker you will input penalty details into NPPS as you work the case in Caseflow. However, during the interim period until Caseflow is rolled out to all business units a network of nominees will input penalty cases into NPPS on behalf of caseworkers.

6.1.1 What does NPPS do?

For penalties arising under Schedule 24 NPPS will:

- maintain a record of customer behaviour to build up a history of compliance and ensure a consistent approach to all penalties
- automatically calculate any penalty
- provide management information relating to penalties for use by a range of internal and external stakeholders, for example Internal Audit and the National Audit Office
- produce and collate all relevant documents in the same envelope, for issue to the customer (and adviser if acting) via National Output Handling.

Documents NPPS produces

The documents which NPPS currently produces are

- a Notice of Penalty Assessment (NPS2) (See example document on the following pages)
- a Notice of Penalty Suspension (NPS3) if suspension is appropriate (See example on the following pages)
- an Adviser's Copy of Correspondence (NPS10) where Agent details have been completed.



Issued by
HMRC
Business Area
Office name and address

Phone
Date of issue
Reference

Notice of Penalty Assessment (NPPS 2A) Notice of Amended Penalty Assessment (NPPS 2B)

(Tax Regime data here)

The tax period/s for which the penalty/penalties is/are assessed is/are:
DD MMmmmmmm CCYY to DD MMmmmmmm CCYY.

This is a notice/amended notice of a liability to a penalty/to penalties under Schedule 24 of the Finance Act 2007 as amended by Schedule 40 Finance Act 2008.

How the penalties are calculated

We have calculated the penalty/penalties based upon the inaccuracy/inaccuracies we have identified. The Penalty Calculation Summary dated DD/MM/YY or previously notified to you provides our view of the behaviour that led to the inaccuracy/inaccuracies and reduction/reductions for the quality of disclosure.

Penalty assessment number	Penalty
Amount of penalties payable within 30 days of date of issue	£
Suspended penalties	£
Total penalty amount	£

What happens next

A payslip will be sent to you shortly. The notes on the payslip will tell you how to pay. The amount payable is due within 30 days of the date of issue of this notice.

OR

A statement of account will be sent to you shortly. The payment methods will be shown on the payment slip attached to that statement of account. The amount payable is due within 30 days of the date of issue of this notice.

OR

A payslip will be sent to the registered head office of the company. The amount payable is due within 30 days of the date of issue of this notice.

Any additional amount due as a result of a Notice of Amended Penalty Assessment is payable within 30 days of the date of issue of the notice.

Appeals

If you disagree with our decision, you need to write to us within 30 days of the date of this notice, telling us why you think our decision was wrong and we will look at it again. If you prefer, we will arrange for a review by an officer not previously involved in the matter. You will then have the right to appeal to an independent tax tribunal. Alternatively you can appeal direct to the tribunal within 30 days of this notice.

You can find further information about this in fact sheet HMRC1 *HM Revenue and Customs Decisions – What to do if you disagree*. You can get this fact sheet by downloading it from our website at www.hmrc.gov.uk/factsheets/hmrc1.pdf or by phoning the Revenue and Customs Orderline on **0845 900 0404**.

A penalty that is payable following a decision that the conditions of suspension have not been complied with is **not** a decision you can appeal against.



Issued by

HMRC
 Business Area
 Office name and address

Phone

Date of issue

Reference

Notice of Penalty Suspension (NPPS 3A)
Notice of Amended Penalty Suspension (NPPS 3B)
 (Tax Regime data here)

Suspension Period from DD Mmmmmmmmm CCYY to DD Mmmmmmmmm CCYY

The tax period/s for which the penalty/penalties is/are assessed is DD Mmmmmmmmm CCYY to DD Mmmmmmmmm CCYY This is a notice/amended notice of a penalty suspension under Schedule 24 of the Finance Act 2007 as amended by Schedule 40 Finance Act 2008.

This notice sets out the inaccuracy/inaccuracies we have identified that are eligible for penalty suspension. It also states the conditions that if complied with will help you avoid penalties in the future.

Penalty assessment number

Inaccuracy

<Inaccuracy description here>

<Inaccuracy description here>

<Inaccuracy description here>

Total of penalties suspended

Suspended penalty

£ Digits must

£ align correctly.

£ Digits must

£ align correctly.

This penalty has/These penalties have been suspended subject to the following conditions:

1 <Suspension condition here>
2 <Suspension condition here>
3 <Suspension condition here>
4 <Suspension condition here>
5 <Suspension condition here>
6 Meet your payment, notification and filing obligations to HMRC by the due dates. (generic condition)

What happens next

On the expiry of the period of suspension if HMRC are satisfied that all the conditions of suspension have been complied with, the penalty will be cancelled. If any of the conditions are not complied with, the penalty will become payable.

If you become liable to another penalty under Paragraph 1 of Schedule 24 Finance Act 2007 (as amended by Sch 40 Finance Act 2008) before this suspension period has expired, this suspended penalty may become payable.

Appeals

If you disagree with our decision, you need to write to us within 30 days of the date of this notice, telling us why you think our decision was wrong and we will look at it again. If you prefer, we will arrange for a review by an officer not previously involved in the matter. You will then have the right to appeal to an independent tax tribunal. Alternatively you can appeal direct to the tribunal within 30 days of this notice.

You can find further information about this in fact sheet HMRC1 *HM Revenue and Customs Decisions – What to do if you disagree*. You can get this fact sheet by downloading it from our website at www.hmrc.gov.uk/factsheets/hmrc1.pdf or by phoning the Revenue and Customs Orderline on **0845 900 0404**.

A penalty that is payable following a decision that the conditions of suspension have not been complied with is **not** a decision you can appeal against.

The Penalty Input and Authorisation Form (PIAF)

During the interim period until NPPS is fully available you will use a form available in Excel SEES, called the Penalty Input and Authorisation Form (PIAF) which you will complete and email to your NPPS nominee.

The nominee will take the details from the PIAF to input the case onto NPPS. It is therefore important that you fully understand the process and complete the PIAF accurately.

In due course, as staff are given full access to Caseflow, the role of nominee will disappear. Caseworkers will complete NPPS whilst working the case within Caseflow.

6.1.2 When must you not use NPPS or the interim Process

If your compliance check covers years prior to Schedule 24, you will have to calculate penalties for those earlier years separately under the earlier legislation and procedures. You must not use either the NPPS or the interim process to calculate these penalties.

6.2 The Interim Process using the Penalty Toolkit

Before you have access to NPPS in Caseflow, you must use the Penalty Toolkit as part of the interim process. This is the agreed process for capturing the relevant penalty calculation and information.

The following link will take you to guidance on

- where to find the toolkit and
- sets out details (and links to various guidance and process maps) of what you need to calculate an inaccuracy penalty

6.2.1 SEES penalty toolkit

Once installed SEES will show on the toolbar in Excel. After selecting this, choose **NPPS Toolkit** from the drop down menu. If you have the Clerical Tools package you will need to select Other Calculators & forms, NPPS and then the NPPS Toolkit.

What is in the SEES penalty toolkit?

The NPPS Toolkit currently contains the following

- penalties Input and Authorisation Form (PIAF)
- contract Settlement Form (CSF)
- employer Compliance Settlement Summary (ECSS)
- VAT Input and Amendment forms (VAT292,641,642,643 & 651)
- factsheets & Leaflets
- help and guidance on the above

Note: It is anticipated that ultimately multiple tax periods and multiple penalties will be captured at the same time but for the time being there must be a separate PIAF for each tax period and each regime.

You can view simple guidance on each field by hovering the mouse over the heading of each.

The penalty calculator in the PIAF will calculate the penalty based upon the information you supply. This is the only method which you should use to calculate a penalty under Schedule 24. You must **NOT** make manual calculations.

Note: The penalty calculator in the PIAF will mirror the calculation made by NPPS and nominees should cross-check it when they input the figures; however, the PIAF will round the decimal point down but NPPS will produce an exact figure.

The PIAF will also contain additional information relevant to the case, as well as your manager's authorisation.

After you issue the Penalty Calculation Summary and Agreement Form (PCSAF) and dealt with any responses from the customer you must email the PIAF to the NPPS nominee who will input the details into NPPS. The email button on the penalty calculator will produce an email with the PIAF as an attachment.

6.2.2 Inaccuracies which do not result in penalties

You will not charge a penalty for every inaccuracy, for example, when there is an error despite taking reasonable care, an over-declaration.

(This text has been withheld because of exemptions in the Freedom of Information Act 2000).

To ensure that penalties are being applied consistently and accurately it is essential that you also clearly record information about inaccuracies that do not result in a penalty.

You must complete a PIAF and obtain your manager agreement and authorisation of your decision that no penalty is due. You should then email the PIAF to your nominee as usual to capture the details in NPPS.

6.2.3 When to use the penalty calculator

You must use the Penalties Toolkit once you can answer YES to all the following questions.

- Has a compliance check established one or more inaccuracies in the return or document?
- Does Schedule 24 apply to the inaccuracy? You must consider the accounting period and due date, as well as the tax or duty.
- Does the inaccuracy result in a potential loss of revenue including an over-stated loss, over-repayment, incorrect payment claimed or under-assessment?
- Have you identified the behaviour that caused each of the inaccuracies?

- Have you considered the quality of the disclosure and the appropriate reductions for telling, helping and giving access?

The issues you must consider before making these decisions are covered in the Compliance Handbook, see CH80000 onwards.

6.3 Completing the PIAF

You may find it helpful to take a blank screenprint of a PIAF for reference when reading this following section.

You must input the following details into the Pen Cal tab of the PIAF

- tax regime
- customer/trader reference
- customer name
- correspondence reference
- tax period from

- tax period to

The relevant information will be collated on the 'NPS Input' tab on the PIAF. The Input tab is laid out to guide the nominee through the steps they will follow when entering a case on NPPS.

6.3.1 Outline of the penalty calculation process

The penalty calculation is based on

- The Potential Lost Revenue (PLR) arising from the inaccuracy, see CH82150, and
- The Penalty Percentage Rate (PPR) to be applied to the PLR, see CH82120
- $PLR \times PPR\% = \text{Penalty Amount}$

To ensure that penalties are consistent and accurate you must always use the penalty calculator even when the calculation appears simple or when you do not consider the behaviour attracts a penalty.

6.3.2 Establish the PPR using the Penalty Calculator

You must first use the penalty calculator to calculate the Penalty Percentage Rate (PPR). Completion of all fields is mandatory, with the exception of Inaccuracy Code and Company Officer's Liability.

The penalty calculator represents a single tax period only. Each row within the calculator represents a separate or grouped inaccuracy. We looked at grouping inaccuracies in Chapter 4, sub-chapter 4.6.9. Follow the guidance at CH82000, CH82150 and CH82200 for grouping inaccuracies.

Tax regime - at the top, the penalty calculator offers a drop down menu, for example VAT for VMF cases and EC for PAYE & NIC's cases.

Inaccuracy description

You must complete

- a row for each inaccuracy
- a brief description of each inaccuracy. You must complete the following fields to ensure the correct penalty percentage rate

- Behaviour
- Prompted
- Tell, Help and Give.

Behaviour

An entry is required for each inaccuracy

- **Error** – error despite taking reasonable care. Although no penalty will arise, you must complete this and have it agreed for consistency/accuracy purposes.
- **FTRC** - failure to take reasonable care. For all FTRC cases the Suspend field must be completed.
- **DU** - deliberate understatement
- **DUWC** - deliberate understatement with concealment
- **Late** – the difference between a late return and an earlier prime assessment by HMRC

Potential Lost Revenue (PLR)

The PLR is the additional amount of tax due or the reduction in tax repaid that has arisen as a result of correcting inaccuracies. For VAT cases please see the VAT section below

Prompted

Did an expectation of the inaccuracy being discovered by HMRC prompt the disclosure? Enter Yes or No.

Tell, Help and Give

This refers to the quality of disclosure.

Telling - 0-30%

Helping - 0-40%

Giving - 0-30%

You looked at these points in Chapter 3.

Suspend

You must answer either Yes, or No. If the penalty is suspended the value box will appear in a purple highlight.

The Penalty Percentage Rate (PPR will appear in column K of the PenCalc tab.

Penalty Information tab

As suggested by the name the PenInfo tab contains the details of the penalty.

For each Failure to take Reasonable Care (FTRC) inaccuracy, you must consider suspension conditions. When suspension is proposed you must also include the conditions proposed (including the generic conditions at CH450730 and BGN066/09).

Conditions fields 1-4 are free text format. Your wording will be copied exactly as recorded by the nominee into NPPS and will appear in correspondence to the customer (and adviser if acting).

Conditions 5 & 6 are pre-populated – if you do not add any further wording to this, the nominee should remove the last sentence in both or the letter will not make sense.

You will complete the period of suspension (1-24 months). The majority of cases will be monitored by the Central Penalty Team (CPT) but the following teams will monitor their own suspended cases:

- Large Business Service
- CAR
- Large & Complex within Local Compliance (LC) in cases where a Client Relationship Manager (CRM) is appointed
- Individuals & Public Bodies within LC in cases where a CRM is appointed.

Company officer liability

If all or part of a company penalty for deliberate behaviour is to be pursued from one or more company officers, (we looked at this in Chapter 5) you must enter the number of officers involved in the Company Officer's Liability column of the Pen Cal tab.

In addition to this you must also enter the following details in the Company Officer's Liability section of the PenInfo sheet as follows:

- details of the officer(s) - UTR, name, address
- the amounts of their individual liabilities - which cannot together exceed the company penalty liability

If your case involves a VAT pre-cred please refer to the Pre-repayment credibility checks section.

Authorise tab

Your manager has to approve your view of the types of behaviour and the penalty calculation before you can send the penalty calculation summary to, or discuss a contract settlement with, the customer.

Your manager, or other authorising officer, can then record agreement when

- types of behaviour have been established
- penalties have been calculated

Your manager records the authorisation on the PIAF together with any appropriate comments before giving the form back to you. You should retain a hard copy of the **signed** PIAF in the case papers.

The nominee will check to ensure there is an approval signature on the Authorisation tab.

6.4 Issue of Penalty Calculation and Summary

Once the penalty has been approved you can formally confirm your view of the penalty to the customer or adviser.

You must issue the Penalty Calculation Summary and Agreement Form (PCSAF) to the customer. The PCSAF requests the customer's agreement to the

- calculation
- penalty amount and
- suspension conditions (if applicable).

Note: You do not need to complete and send a PCSAF to the customer if the penalty is below the cost-effective limit. Where Agent Details are completed you must send a copy to the adviser.

You must also ensure that

- the PCSAF is captured into EF or SEES Casebook
- the case is put on BF for 30 days to allow further representations from the customer.

Alert for suspension agreement

To ensure the customer has agreed any suspension conditions, an alert is set in NPPS. Although this may be up to 30 days after the conditions are entered onto NPPS, it is more likely that the customer will have already been agreed with the conditions and the nominee will be able to enter the details immediately.

The next course of action is dependent on the customer's response. This must be clearly indicated on the Request Form – Part 2 Action Required, for the nominee to follow. You must be aware that you must seek further authorisation, if required, before forwarding the Request Form to the nominee.

6.4.1 Penalty calculation - customer agreed/no response (no suspension)

If the customer agrees, or there is no response after 30 days and there is no reason to think that the customer disagrees, with the penalty, obtain your manager's agreement using the Penalty Authorisation form.

Email the completed PIAF to the nominee to issue the penalty assessment.

6.4.2 Penalty not agreed - penalty amended after discussion

You should discuss the details with the customer to reach an agreement, if appropriate. If a change is agreed, amend the penalty calculator with the revised figures/types of behaviour etc.

Remember that your manager must approve any change and, depending on the penalty, it may need to be authorised by an independent authorising officer.

You must

- issue the amended PCSAF and B/F the case for 30 days if appropriate
- e-mail the updated PIAF to the nominee to issue the Penalty Assessment.

6.4.3 Penalty not agreed - not amended after discussion

You must pass the PIAF to your manager to agree that despite the customer's lack of agreement the penalty to be assessed remains unchanged. You should then email the completed PIAF to the nominee to issue the penalty assessment.

6.4.4 Penalty with suspension – customer agrees

If the customer agrees the PCSAF you should email the completed PIAF to the nominee to issue the notice of assessment and suspension.

6.4.5 Penalty with suspension - customer not agreed/no response

If the customer fails either to agree or to respond to proposed terms and conditions of suspension, then you must amend the calculation to remove the proposed suspension.

You must amend the penalty calculation to make the whole penalty collectable and pass the amended PIAF to your manager/authorising officer to agree the amended details.

You should email the completed PIAF to the nominee to issue the penalty assessment.

Action by the NPPS Nominee

On receipt of the PIAF the nominee will undertake a completeness and sense check so that they do not waste time entering incorrect or incomplete data. If the nominee finds that the PIAF is incomplete, (red text/yellow shading will appear in the cell) he or she must return it to you by email with an explanation as to why it cannot be actioned.

The following fields are mandatory within the PIAF:

- Tax regime
- Customer/trader reference
- Tax period from
- Tax period to
- Correspondence reference
- Taxpayer type and group
- Customer name
- Customer address and postcode

- Caseworker PID and name
- Caseworker office name, address, postcode and phone number
- Settlement method
- Name and PID approving the inaccuracy
- Name and PID approving the penalty

The content of some of the fields will be printed onto forms sent to the customer; therefore the nominee will copy the wording exactly as you have set it out. If you have made a mistake, or if what you have written does not appear to make sense, the nominee will email the form back to you to review and update as necessary.

Suspend field **MUST** be completed, even if there is no suspension.

The nominee will check that there is a separate PIAF for each tax period and each regime.

The nominee will use NPPS to

- record and manage penalties and
- issue penalty notices and assessments, **unless the matter is to be settled by contract**. This is explained later in this module.

6.4.6 Monitoring suspended penalties

Once you have completed the compliance check and have agreed the suspended penalty, the responsibility for monitoring it during the suspension period passes to the Central Penalty Team (CPT) for the following teams only:

- Special Investigations (SI)
- Local Compliance (LC) - except where a CRM (Client Relationship Manager) is appointed in Large and Complex or Individuals and Public Bodies - see below.

Responsibility for any suspended penalty will move to the CPT at the following stages:

- Assessment cases - after the penalty assessment and notice of suspension have been issued

-
- Contract Settlement cases – when the letter accepting the customer's offer in settlement has been issued.

The following teams will monitor their own suspended penalties and interact directly with the customer at the end of the suspension period:

- Large Business Service
- CAR
- Large and Complex within Local Compliance (LC) in cases where a CRM is appointed
- Individual and Public Bodies within LC in cases where a CRM is appointed.

If you are an officer within these teams you must retain responsibility for the cases and consider any self-certification produced by the customer at the end of the period of suspension. You must consider whether the conditions have been met and you are then responsible for any subsequent action.

6.4.7 Appeals, reviews and amendments of penalty assessments

The customer or adviser may appeal or request a review of your decision, see [ARTG2120](#) onwards (direct tax) and [ARTG3010](#) onwards (indirect tax).

The penalty assessment may have to be cancelled or amended following a successful appeal to Tribunal, review or amendment.

6.5 Interim Process for VAT Mainframe cases

This section explains the variations to the standard process for these cases; you can skip this section if it is not relevant to you.

This covers the VAT mainframe process only; for example, following routine VAT compliance checks, error corrections and adjustments to pre-credibility returns.

Overview

In all VAT Mainframe (VMF) cases where you issue a VAT641/642 you must also be aware of how to

- obtain the potential lost revenue (PLR) through the VAT641/642 form
- deal with an appeal or amend the penalty following a tribunal decision.

In addition to the above, you must also be aware of the process for Pre-payment credibility checks (Pre-creds).

6.5.1 Obtaining the PLR through the VAT641 form

The VAT641/642 forms still perform their original assessment function, and have now been revised to also include New Penalties information. You must use the VAT641/642 in order to obtain the PLR in VMF cases.

There are also revised versions of the VAT292, VAT642, VAT643 and VAT651.

6.5.2 Completing the VAT641/642

The revised VAT641/642 requires additional information to be completed for each separate inaccuracy, as follows

Behaviour type

Enter one of the following for each row

- A - Reasonable care

-
- B - FTRC
 - C - DU
 - D - DUWC
 - U - Under-assessment - Although not a behaviour this must be used where an additional assessment is raised because a prime/central assessment is too low and an under-assessment penalty is considered appropriate. See CH81090 and CH410000
 - Blank - Leave blank if the period is not subject to Schedule 24 penalties.

PPR

Enter the penalty percentage from the penalty calculator for each inaccuracy

Suspensions

This is appropriate for behaviour code B only. To show whether or not the penalty for the individual inaccuracy is to be suspended, enter

0 - No suspension, or

1 - Suspension.

Inhibit functions

You will inhibit a new penalty for inaccuracy in exceptional circumstances only. For example, if the case is being considered under the evasion referral procedures but a tax assessment needs to be raised so that it is not out of time.

Delayed tax

If you consider the inaccuracy has arisen as a result of delayed tax (we looked at delayed tax in Chapter 4 at sub-chapter 4.4) when you raise a VAT641 you must use the new Reason Code 16. You must use this code for the **period in which the initial inaccuracy occurred, and the subsequent period in which this delayed tax is accounted for.**

Recovery assessments

Where a recovery assessment is issued following the discovery of an erroneous repayment, you will use a new assessment Type Code 4.

The VAT641/642 form must be checked and countersigned, according to existing procedures, before being sent to the VALID team. VALID will input the form into VMF.

The VMF will generate a D2211 report. This will provide the PLR to be included in the penalty calculator enabling completion of the penalty calculation.

6.5.3 PLR obtained - Calculation to be agreed

Processing of the VAT641 will generate a D2211 which will provide penalty details as calculated by the VAT Mainframe. Arrangements will be made for you to receive D2211's.

Normally the PLR is the figure given on the D2211, however there are exceptions - for example, in the case of divisional registrations where a single legal entity may have separate VAT registrations for each of its divisions. In this case a D2211 for an individual division should be considered in the context of the whole legal entity and that entity's PLR and penalty liability and the PLR may have to be calculated manually.

When you receive the D2211

On receipt of the D2211 you must retrieve the partly-complete PIAF document and check that the PLR for each inaccuracy is entered correctly into the Potential Lost Revenue or Overstatement field of the penalty calculator.

You must check that there are no discrepancies between the penalty amount generated by the VMF as shown on the D2211 and that produced by inputting the correct PLR in to the penalty calculator. This will validate that you have entered data correctly.

Special reduction

Special reduction, requiring TAA approval, may be appropriate in very exceptional circumstances. We shall look at special reductions in detail in Chapter 7.

CH84950

In addition to special reductions you must also have considered any possible reductions due to interaction with other penalties, including the impact of under-assessments. We looked at under-assessments in Chapter 3 at sub-chapter 3.1.1.

CH451400

Once the calculation is finished you must complete the Penalty Authorisation form in the Authorise tab. The PIAF must be approved by your manager, captured to Electronic Folder (EF) and forwarded to the nominee.

6.5.4 Action once penalty assessment issued

The nominee will use the PIAF to issue the penalty assessment. A copy of this and any other relevant notices will be forwarded to you.

You must use the details from the assessment to complete a VAT292 (revised) to capture the penalty to the customer's account in the VAT Mainframe.

The VAT292 will have a new column in which you enter a penalty code for Schedule 24 penalties.

- For inaccuracy penalties corrected via a VAT 641/642 - Penalty Code 58
- For under assessment penalties (late return and higher liability) - Penalty Code 59
- For inaccuracies in returns subject to pre-payment credibility amendment - Penalty Code 60.

After the VAT292 has been checked and authorised you must pass it to your VALID team. This will generate a new statement of account to the customer.

Note: It is important to complete the VAT292 as soon as you receive back the penalty assessment as the customer has 30 days in which to pay and the remittance slip is only generated through processing the VAT292.

6.6.5 Inaccuracies that do not result in penalties

If you establish the behaviour for all the inaccuracies (one or more) in a compliance check as an error despite taking reasonable care, you should follow this process:

You must enter the details for each inaccuracy into the Penalty Calculator. If the code is Error you will need the following details

- tax period
- inaccuracy details
- understated VAT
- over-repayment claimed.

You must also enter all the appropriate details of the types of behaviour as well as whether the behaviour was unprompted or prompted, although in this situation no penalty or PPR calculation will be produced.

6.5.6 Manager's authorisation

You must then complete the Authorisation form. Your decision on the behaviour recorded in this form must be approved by your manager.

The VAT641 should be completed to assess the additional VAT arising from the compliance check. The form should show behaviour type A - Reasonable Care, which will ensure that no penalty calculation is made. A VAT642 may be used, where it follows the receipt of a VAT652 or a letter notifying an error correction.

6.5.7 Accepting the customer's notification

You may use a VAT642 when you accept the customer's notification without amendment. If the VAT652 or letter contains errors or further inaccuracies are identified when you review the information provided, then you must use a VAT641.

The VMF will generate a copy of the VAT Assessment and revised statement of account for the customer.

You must advise the nominee, using the PIAF, of all inaccuracies even where a penalty does not apply.

6.6 Appeals, Reviews and Amendments to Penalty Assessments

The penalty assessment may have to be cancelled or amended following a successful appeal to Tribunal, review or amendment.

ARTG3300

The penalty does not have to be paid before an appeal can be heard by the tribunal, but any assessment of tax that triggered the penalty must be paid.

6.6.1 Amending the penalty assessment

The process to amend a Penalty assessment may be carried out either by you or the VAT Appeals teams, as follows:

- Scan notification from the Tribunal or Review request into EF.
- Change Penalty Calculator figures to reflect the decision - agreement will not be required where there is an adequate audit trail in the papers.
- Email the nominee with the outcome of the appeal, and instruct them to issue the amended Penalty Assessment, and, if relevant, Suspension Notice.
- When completing the request form choose the Appeal Outcome - Penalty Varied option from the drop down list. You must add the original penalty number to the request form to enable the nominee to cross-reference to the original entry.
- Completion of a VAT643 will be required when any of the penalty attributes on the VAT641/VAT642 change (behaviour type, PPR etc). Pass to the VALID team.
- Complete the VAT651 to amend detail on original VAT292 pass to the VALID team.
- VALID team to input into VMF. The amended penalty will generate a revised statement of account.

It is possible that a successful appeal may generate more than one adjustment. For example, a change of behaviour from DU to FTRC, could give rise to a further appeal relating to a suspension. The same process must be repeated on each occasion.

6.6.2 Penalty amended for a reason other than an appeal

In this case you must follow the steps above, with the exception of the first bullet. When completing the request form to email to the nominee you must choose one of the following from the drop down menu

- re-issue Formal Notices with Susp - new data
- or
- re-issue Formal Notices no Susp - new data.

You must add the original penalty number to the request form to enable the nominee to cross reference to the original entry.

6.6.3 Pre-repayment credibility checks (pre-creds)

This differs from the standard VAT penalty process as a VAT641 is not used in pre-cred cases.

You must record all your actions in the Document Notes field within EF.

Pre-cred check leads to an adjustment

When a pre-cred results in an adjustment, you must notify the details to Credibility Operations via EF. A pre-cred may result in a type 60 penalty.

When the dummy return is input into the VMF it will trigger a D2211 report containing the PLR and a penalty amount. The PLR will be presented as a single figure, being the difference between the amount originally claimed and the amended amount due or repayable.

The PPR will be calculated at 30%. For pre-creds only, the VMF assumes default values: failure to take reasonable care - prompted.

The D2211 must be passed to you to decide the behaviour(s), and the reductions; for example, prompted disclosure, quality of disclosure, etc.

You must firstly consider whether there was a single inaccuracy or if multiple inaccuracies resulted in the PLR. If there are multiple inaccuracy and behaviour types you must apportion the single PLR figure shown on the D2211 accordingly.

You must open the PIAF and input details of the customer and the inaccuracies. Where there is a single inaccuracy you must input the PLR figure directly from the D2211. Where there are multiple inaccuracy and behaviour types you must apportion the PLR shown on the D2211, entering each figure on a separate row within the penalty calculator.

If a penalty assessment is issued, you must complete a VAT292 (revised) after you have received a copy of the Penalty Assessment form from the nominee.

For type 60 penalties you must enter the relevant PLR's and PPR's in addition to the penalty amounts. After it has been checked and authorised, you must pass the VAT292 to your VALID team. This will update the customer's record with penalty details in the VMF and issue a revised statement of case.

Note: You must advise the nominee, using the PIAF, of all inaccuracies, even where a penalty does not apply.

6.7 Interim Process for VAT - Non VAT Mainframe Cases

This section explains the variations to the standard process for these cases; you can skip this section if it is not relevant to you.

The processes for VAT non-mainframe cases are different from those penalty cases entered on the VAT Mainframe.

*Guidance V1-35:
Assessments and
Error Correction*

This covers the VAT non-mainframe cases only including VAT cases that have been transferred to the Redundant Trader Listing (RTL) see [VAT Assessment and Error Correction manual](#) (previously Guidance V1-35)

If an inaccuracy is found in a claim you must not delay repayment of any amount which is considered properly due to the customer while the penalty position is being established.

6.7.1 Obtaining the potential lost revenue arising from inaccuracy

In the case of Redundant Traders, where a further inaccuracy or inaccuracies are found relating to a period that has previously been adjusted, the earlier inaccuracies (and related penalties) must be taken into account in determining the PLR and penalty to be charged.

6.7.2 Establish the PPR using the penalty calculator

You must use the penalty calculator to calculate the Penalty Percentage Rate (PPR). Completion of all fields is mandatory, with the exception of Inaccuracy Code and Company Officer's Liability.

The tax regime at the top of the penalty calculator offers a drop-down menu including ORU, OUT and DIY for VAT non-mainframe cases.

The penalty calculator represents a single tax period only. Each row within the calculator represents a separate or grouped inaccuracy. You looked at grouping inaccuracies in Chapter 4 at sub-chapter 4.1.2.

You must complete

- a row for each inaccuracy

- a brief description of each inaccuracy; sufficient for identification.

You must complete the following fields to ensure the correct PPR; Behaviour, Prompted, Tell Help and Give.

6.7.3 Issue of penalty calculation and summary

Once you have your manager's approval, you can formally confirm your view of the penalty to the customer or their adviser.

You must issue the Penalty Calculation Summary and Agreement Penalty Form (PCSAF) to the customer. This form requests the customer's agreement as appropriate to the

- calculation and
- penalty amount.

Where applicable you must send a copy to the adviser.

You must also ensure that the

- PCSAF is printed and kept with the case papers
- case is put on BF for 30 days to allow further representations from the customer.

Action after you issue the Penalty Calculation Summary and Agreement Form.

Once agreed, email the completed PIAF to the nominee to issue Penalty Assessment. Ensure that the address of the Regional Accounting Centre is included in the additional information box of the request form.

6.7.4 Appeals, reviews and amendments of penalty assessments

ARTG2020

The customer or adviser may appeal or request a review of your decision. In some cases an amendment may be needed for other reasons.

Postponement of tax

ARTG3310

ARTG3330

Usually, there is no postponement available for VAT penalty assessments. The assessment remains payable, unless suspended, despite an appeal being lodged. However, this may differ when the customer has accepted the decision-maker's offer of a review, or, when the customer claims hardship following appeal to the tribunal.

Amending a penalty assessment

The process to amend a Penalty assessment may be carried out either by you or the VAT Appeals teams, as follows

- change PIAF figures to reflect the decision - agreement will not be required where there is an adequate audit trail in the papers.
- email the nominee with the outcome of the appeal, and instruct to issue the amended Penalty Assessment.
- the nominee has responsibility for making adjustments the amount charged and notifying the customer.

6.8 Interim Process for Direct Tax cases

This section explains the variations to the standard process for these cases; you can skip this section if it is not relevant to you.

This note explains the process for direct tax cases including employer compliance.

There are separate instructions for contract and non-contract settlement cases.

Whether you include the penalty in a contract settlement or ask your NPPS nominee to issue a Penalty Assessment, many of the steps you need to take to record and calculate penalties will be the same.

You must use the Penalties Toolkit described below to

- record details of inaccuracies on the PIAF and
- calculate penalties

A P35 return includes both the employer's PAYE and NIC liability. For EC compliance checks all inaccuracies from one return, be they PAYE or NIC's (but not Class 1A or any liability of the employee), should be included within the same PIAF. If you find an inaccuracy that has consequences for both PAYE and NIC's then there will be two inaccuracies, which will give rise to two PLR's. You will need to complete two rows in the penalty calculator to produce the penalty for the two regimes within that period and return.

Note: Not all inaccuracies will result in a penalty. You looked at errors despite taking reasonable care in Chapter 2 at sub-chapter 2.2.1

6.8.1 Accounting via SAFE

The accounting for the inaccuracy penalties will be via SAFE. The nominee will arrange for a SAFE charge to be raised for penalty assessments. The process for contract settlements is different - check below under contract settlements.

6.8.2 Appeals, reviews and amendments of penalty assessments

ARTG2120

The customer may appeal. If a valid postponement application is made you should deal with it in accordance with guidance at [ARTG2510](#). The customer's postponement application will normally be accepted. If so, you will have to specify the amount to be postponed and email the details to the nominee who will update the accounting system.

However when the application is not accepted and the customer asks for a review of the decision, see [ARTG4030](#).

During an appeal you remain responsible for agreeing any amendments to the penalty assessment. If the assessment is varied either by agreement, or by decision of the tribunal, adjust the figures in the PIAF and email it to the nominee with a Notifications and Requests Form. Please include the penalty assessment number for the case.

The amended PIAF instructs the nominee to record the changes and produce the amended assessment for issue to the customer. The NPPS nominee will deal with any changes to the SAFE charge.

A variation in the penalty could lead to further appeals. For instance a change of behaviour could allow a further appeal on the grounds that the penalty should be suspended.

Note: Close liaison with the nominee is essential so you must contact them as soon as you receive a further appeal, using the Notifications and Requests Form.

6.9 Contract Settlements

When you are seeking Schedule 24 penalties you should still attempt to conclude your compliance check by way of a contract settlement with the customer, if that is the most cost-effective way of finalising the case.

Contract settlements should be used only for Direct Tax (Income Tax, Corporation Tax, Capital Gains Tax), Inheritance Tax and Petroleum Revenue Tax.

If you are unable to obtain an acceptable offer, or there are good reasons not to pursue a contract settlement you will have to issue formal assessments to charge the additional tax and any penalty.

Please continue to follow the guidance on contract settlements in the Enquiry Manual at [EM6000](#) and the Employer Compliance Handbook at [ECH21500](#) as most of it is unaffected by the Schedule 24 penalties legislation. However, this note does update the guidance for when you are dealing with Schedule 24 penalties, and for settlements which have a mixture of these and earlier penalties.

6.9.1 Schedule 24 penalties without suspension

When suspension is not appropriate calculate the penalty for each tax period as set out in sub-chapter 4.1 above. Then obtain approval for these from your manager by:

- Completing the **Approval** boxes found under the **Authorise** tab in the PIAF for each tax period.
- Notifying your manager that you intend to settle that period by contract settlement - enter **Contract** in **Settlement Method** box under the **PenInfo** tab in the PIAF.

Submit the completed PIAF to your manager by email and send a printed copy for them to sign. Remember there must be a separate PIAF for each tax period. Please retain the **signed** printed copy with the case papers and save the electronic copy.

Sending the calculation to the customer

Send the approved Sch 24 calculation for each penalty to the customer. Do this using a PCSAF for each tax period. Formal agreement by the customer for the penalties is not required for contract settlements, unless a suspended penalty is part of the offer - see below. The agreement to your overall penalty figure and underlying behaviours as part of your settlement proposals will suffice where suspension is not proposed.

Once your manager or authorising officer has approved the penalty calculations you can proceed with your proposals for overall settlement covering

- additional tax/NIC's,
- interest, and
- penalties.

Summarise these on the new Contract Settlement Form (CSF) for approval by your manager or authorising officer. A hard copy of the **signed** CSF should be retained in the case papers by the caseworker. The CSF is available in the SEES NPPS Toolkit with guidance available on the intranet.

Letters of offer

Specimen letters of offer have been drafted internally so as to ensure that the contract covers all the appropriate issues and is legally enforceable. These were used in relation to the previous direct tax penalties and will continue to be appropriate for Schedule 24 penalties. They can be found at [EM App 1](#) and [ECH21600](#), [ECH21605](#) and [ECH21610](#).

Accepting the offer

Any offer in settlement you obtain must be accepted by your manager or authorising officer using the CSF. The acceptance procedure follows the existing EM and ECH guidance at EM6402a and ECH21550.

When the offer has been accepted you must issue an acceptance letter as set out as in EM6410 and ECH21550.

SAFE charge

When the contract settlement is agreed, you should Email the PIAF to your nominee after completing the Request form. Request the action as **CONTRACT- Record only no suspensions**.

You must email your nominee a Request Form for each Schedule 24 penalty in the settlement.

The SAFE nominee will raise a charge in SAFE. It will follow the existing SAFE procedure for contract settlements. Class 1A and Class 6 SAFE Charge Types continue to be used, whether the penalties are within Schedule 24 FA07 or TMA70.

6.9.2 Schedule 24 penalties with suspension

Suspended Schedule 24 penalties included in a contract settlement are calculated using the penalty calculator in the PIAF in the normal manner. Use the PIAF to obtain your manager's approval to the penalty for each tax period. You should retain a hard copy of the **signed** PIAF in your case papers.

The penalty calculator in the PIAF will mirror the calculation made by NPPS and should be cross checked by the nominee at the point of input, however the PIAF will round the decimal point down but NPPS will produce an exact figure.

Obtaining the customer's agreement

Complete a PCSAF, and send it to the customer to seek their agreement to the amount of the penalty and the suspension conditions.

The customer has 30 days to respond, but needs to agree both the amount and the conditions of suspension for every Schedule 24 penalty. If you cannot agree suspension conditions, you cannot suspend a penalty.

If the customer does not agree to the conditions it is highly unlikely that he or she will enter into a contract settlement. In those circumstances you should issue assessments for the additional tax and the penalties. This allows the customer to appeal against the non suspension and against the suspension conditions you later impose.

If, exceptionally, the customer wishes to enter into a contract settlement without a suspended penalty your manager must authorise this.

Enter the overall settlement including totals of additional tax, NIC's, interest and penalties in the CSF. This new form has replaced the 94/94EC where settlements include Schedule 24 penalties, and the 94EC completely.

Meeting suspension conditions

The suspended penalty is identified as a separate instalment in the contract that is due on a specific date **unless** the customer satisfies HMRC that the suspension conditions have been met on or before the agreed date. This means that the customer makes an instalment offer even though the tax, interest and any other penalties are paid in one lump sum.

EM6410 ECH21550

You must always use the instalment offer letter of acceptance.

At the end of the suspension period

Before a customer makes an offer, you must tell him or her that

- you or the nominee (see the section on 'Monitoring suspended penalties') will make contact shortly before the end of the suspension period
- you will send a form to certify that the customer has met all the suspension conditions
- the certificate will be checked,

Once HMRC has checked the certificate we will

- write to the customer to confirm that we are satisfied the suspension conditions have been met and the suspended penalty will be cancelled, or
- we will check the conditions.

You must also explain to the customer that the suspension conditions must be met in full, otherwise the suspended penalty will be payable on the date shown in the letter of offer. If, for any reason, the penalty is paid later than this date, interest will be charged in accordance with the terms of the letter of offer.

6.9.3 Suspended penalties to be paid by instalments

*EM6249 ECH21540
ECH21535*

The tax, interest and penalties in a contract settlement may be paid by instalments. Before you agree any instalment offer you must consider the customer's ability to pay in some detail.

You should work on the basis that any suspended penalty will be payable so that if the suspension conditions are not met for any reason, the customer should be able to pay the penalty at the date it becomes due.

If the settlement includes suspended penalties, we can only accept an instalment offer if the suspended penalty is the final instalment, due to collection issues. Therefore where the tax has to be paid by instalments, not only must the offer show the suspended penalty as a separate and distinct instalment, but also that this instalment must be the final one.

Offer with instalments due after the suspension ends

If the customer can fund only an instalment offer where instalments will fall after the date the suspended penalty may become due, you cannot enter into a contract settlement. You must issue assessments for the additional tax and penalties. The customer will then need to discuss payment arrangements with DMB.

If you have any doubts or problems about including a suspended penalty in a contract settlement you should contact [Central Policy \(Tax Administration Advice\)](#) for advice.

6.9.4 Notifying the NPPS nominee

EM6410 ECH21550

Correspondence between you and the NPPS nominee is vital to allow accurate recording of the details of the penalties. You must contact the nominee before the acceptance letter is issued. You do this by emailing the Request Form highlighting the **CONTRACT with Suspension - Issue Suspension Notice** option, within the PIAF.

Nominee inputs PIAF data

On receipt of the PIAF the nominee will record details of the penalty and suspension. NPPS will produce a Notice of Penalty Suspension (NPS3). This notice is a legal requirement (Para 14(1) Sch24) whether or not the suspension is included in a contract settlement.

The nominee will suppress central printing of the NPS3 and send a copy of the NPS3 to you for issue to the Customer (and Adviser).

When you issue the letter accepting the customer's offer, it **must** be accompanied by the NPS3 Notice of Suspension.

EM6403 ECH22075

SAFE charge

The amount of the offer is brought into charge via SAFE. The process for raising a contract settlement charge on SAFE remains the same.

The SAFE **Charge Type** is Class 1/1A, Class 6 (as appropriate) whether there are suspended Schedule 24 penalties or not. These Charge Types will allow the local SAFE nominee to enter the due dates for each separate instalment, including the final instalment - of which the amount is equal to the suspended penalty.

The payslip(s) will be issued to the customer by SAFE shortly before the due date(s).

Closing your case

Once you have issued the acceptance letter and the NPS3 you can close the case and file your papers.

Note: Where the contract includes a suspended penalty CQI/ECS should reflect the gross penalties without any adjustment for suspensions. Do not delay settlement of the case to await the outcome of the suspension period; the CPT will deal with the period of suspension.

6.9.5 Penalties under old and new legislation

A contract settlement is likely to contain both old and new penalties for the foreseeable future.

Penalties arising under different legislation are calculated separately, using the rules applicable to each. For example:

- S95 TMA70

-
- S98A4 TMA70
 - Reg81(1) SS(C)R2001
 - Para 20 Schedule 18 Finance Act 1998, and
 - Schedule 24 FA07

You must provide the customer with the fact sheets relating to Schedule 24 Penalties, as well as the Codes of Practice/factsheets etc relating to penalties under the older legislation.

Enter and calculate individual penalties under Schedule 24 on the Penalty Calculator. Following approval of the calculations issue the PCSAF's to the customer for all tax periods covered by Schedule 24. This will not be available for the other penalties, so you may need to send a separate letter to summarise the overall position.

Contract settlement form

When you have Schedule 24 penalties and other penalties in a single settlement the new Contract Settlement Form (CSF) should be used. This form will allow you to calculate the differing penalties separately before bringing the settlement together on one main summary page.

You must get approval of the expected offer before you start discussions with the customer, and any eventual offer must be authorised before you may accept it. You will do this by using the CSF. There is currently no change to the authorising requirements set out at EM6402a and ECH21550.

Using form 94

Forms 94 should be used only if the settlement does **not** include Schedule 24 penalties. Archived forms 94 will still be available for you to access through the NPPS Toolkit in SEES.

Earlier legislation and suspension

Suspension is only appropriate to Schedule 24 penalties, even though in earlier periods penalties may arise from similar inaccuracies. Refer suspended penalties to the nominee to ensure that a formal notice of suspension is issued, even if the penalty is included within a contract settlement - see guidance above on suspension in Contract Settlements.

6.9.6 Employer compliance laptop settlement system (ECLSS)

ECLSS as currently designed does not allow you to calculate new penalties or include them in an overall settlement. The possibility of enhancements to ECLSS is currently under consideration. Further details are available at [ECLSS intranet pages](#)

In the meantime you should continue to use ECLSS to carry out computations and calculate interest. As the 94EC form has been replaced by the generic [Contract Settlements Form \(CSF\)](#), you should use the CSF to calculate the penalties for both the old and new penalty regimes.

There is certain information required for Management Information Systems (MIS) which is not available on the CSF.

A separate **Employer Compliance Settlement Summary (ECSS)** sheet is available in the NPPS toolkit on SEES to record information about non-culpable employer liability and current year adjustments. You should keep a separate note of all relevant information required to be entered on Employer Compliance System (ECS) when you close the case.

You must now follow the direct tax contract settlement guidance set out above, and apply the following additional Employer Compliance points:

- Consider the abatements in relation to any penalties due under TMA 1970 and SS(C) R 2001 in accordance with [ECH21055](#) to [ECH21090](#).
- Be prepared to carry out separate calculations if you have an unprompted disclosure for, say, one irregularity; prompted disclosures for others, and if there is a material difference in the penalty due.
- Enter the culpable liability and the abatements on the CSF and the penalty will be calculated.
- Calculate and authorise penalties separately for each individual tax period where Schedule 24 penalties apply by following the guidance on using the Penalties Toolkit as covered earlier in this chapter.

-
- You must enter the aggregate summary details for the proposed contract settlement manually onto the CSF. Pass the CSF with appropriate schedules indicating how the summary figures are made up to the authorising officer.
 - Once you have received approval of the proposed contract settlement, you may discuss settlement details with the employer or contractor. Any offer you receive must be authorised as usual, using CSF, before acceptance.
 - Notify the amounts of any penalties, including suspended penalties, in an agreed settlement to the nominee before you issue any acceptance letter. In your email you should include the updated PIAF for each period together with copies of the offer and proposed acceptance letters. The nominee will update the record and provide you with a copy of any Notice of Suspension required.
 - You must issue the acceptance letter to the employer, along with any relevant NPS3 Notice of Suspension.

You can close your case at this point as the CPT will monitor any suspension.

6.10 The National Penalty Processing System (NPPS)

Once you have access to NPPS you will no longer need to complete a PIAF. You must then use NPPS to record details for all cases even when the penalty is less than £150.

Currently you cannot issue a Penalty Calculation and Agreement Form (PCSAF) using NPPS. You will still need to access this from the [link referred to earlier](#)

All other processes, such as what to do if a customer does not agree the PCSAF, do not change.

If, before you are at the stage of inputting the case details onto NPPS, a customer asks for an idea of how much penalty could be charged, or, for direct tax, if you are discussing a contract settlement, you must use the calculator within the SEES Penalty Toolkit for these calculations.

You will be familiar with using this as part of the interim process. Please remember that the SEES Penalty Toolkit is part of the interim process and is **not** part of NPPS.

Separate learning will be provided to staff prior to the rollout of Caseflow and NPPS. This includes a detailed e-learning package on NPPS.

CH348200

6.10.1 Amended assessments on NPPS

After an appeal is settled, you may need to amend the penalty assessment either to take account of the decision of the Tribunal or figures agreed between you and the customer.

6.10.2 How penalties are collected using NPPS

Penalties will be collected via the relevant taxes' accounting systems. For direct taxes this will be via SAFE and for indirect taxes this will be the VAT Mainframe system or Customs and Excise Collection and Accounting System (CECAS).

The charge will be for the amount of non-suspended penalty only. A demand for the suspended amount will only be issued if the customer has not met the suspension conditions. The Central Penalty Team are responsible for monitoring suspension conditions.

If an appeal is received, you will need to set the appeal signal on the NPPS System. This will enable all, or part, of the charge to be stood over or postponed until the appeal is settled.

Once the appeal is settled and you have put details into NPPS, SAFE/CECAS will automatically issue the final amended charge.

For Direct Tax cases, if tax is paid late, SAFE will calculate any interest. Debt Management and Banking will then issue demands.

Review

NPPS is part of the new CaseFlow system. It will hold details of inaccuracies, calculate penalties and issue penalty assessments.

Until NPPS becomes available to all caseworkers details will be input by NPPS nominees. As a caseworker you will use the Penalty Toolkits available on the intranet and in Excel SEES. These toolkits contain the forms you will need to calculate the penalty and issue the forms to your nominee. You must not prepare manual calculations.

Your manager must approve your view of the types of behaviour and the penalty calculation before you can discuss details with a customer.

Where possible agree the tax due, and any suspension conditions, with the customer before sending details to your nominee. You may prepare estimates based on the available information if you can't reach agreement.

Normally a penalty is issued when an inaccuracy is corrected, however there are occasions when the penalty will be assessed at a later date.

VAT cases will continue to be dealt with through the VAT mainframe. However you will still need to use the penalty toolkit forms to calculate the penalty and then input to the VAT mainframe so that it can apply offsetting rules.

If an assessment is later found to be insufficient you may prepare a further assessment, provided this is within 12 months of the date the inaccuracy is corrected or an appeal is determined. Caseflow and NPPS allow for amendments but you will need fresh authorisation.

VAT penalties are collected through the VAT mainframe or CECAS. Direct tax penalties can either be assessed or included in a contract settlement. Both will be collected through the SAFE system.

Learning Check

1. What system will you use to calculate a Schedule 24 penalty for both the interim process as well as under NPPS?
 - a. Excel spreadsheet
 - b. SAFE
 - c. SEES
 - d. Caseflow.

2. What information do you need to calculate the Schedule 24 penalty.
 - a. the amount of earlier years' penalties
 - b. Unique Taxpayer Reference

-
- c. suspension conditions
 - d. potential lost revenue.

3. When must you **not** use the penalty calculator.

- a. when you will suspend the penalty
- b. when the penalty is for earlier years
- c. when you will obtain a contract settlement
- d. when the customer will pay by instalments.

4. Which of the following statements about the interim process is true?

- a. The PIAF applies to VAT mainframe case calculations only
- b. You do not put details on SEES/NPPS for cases in which you will not charge a penalty
- c. Caseworkers input data into NPPS, then send to nominees to transfer onto the PIAF.
- d. Nominees input data from the PIAF into NPPS on behalf of caseworkers.

Learning Check - Answers

1. What system will you use to calculate a Schedule 24 penalty for both the interim process as well as under NPPS?
- a. Excel spreadsheet
 - b. SAFE
 - c. SEES
 - d. Caseflow.

Answer: c) SEES

This was covered in sub-chapter 6.1

2. What information do you need to calculate the Schedule 24 penalty.
- a. The amount of earlier years' penalties
 - b. Unique Taxpayer Reference
 - c. suspension conditions
 - d. potential lost revenue.

Answer: d) potential lost revenue

Suspension conditions are taken into account after the penalty has been calculated.

You looked at this in sub-chapter 6.3.1

3. When must you **not** use the penalty calculator.
- a. when you will suspend the penalty
 - b. when the penalty is for earlier years
 - c. when you will obtain a contract settlement
 - d. when the customer will pay by instalments.

Answer: b) when the penalty is for earlier years

If your compliance check covers years prior to Schedule 24, you will have to calculate penalties for those years separately under the earlier legislation.

You looked at this in sub-chapter 6.1.2

4. Which of the following statements about the interim process is true?
- a. The PIAF applies to VAT mainframe case calculations only
 - b. You do not put details on SEES/NPPS for cases in which you will not charge a penalty
 - c. Caseworkers input data into NPPS, then send to nominees to transfer onto the PIAF.
 - d. Nominees input data from the PIAF into NPPS on behalf of caseworkers.

Answer: d) Nominees input data from the PIAF into NPPS on behalf of caseworkers.

You looked at the interim processes at sub-chapter 6.2.