

Take care to tell us about your tax on time

If you do not tell us when particular changes relevant to your tax, VAT, or other duties happen, we may charge you a penalty. We call this a 'failure to notify' penalty. This guide tells you about 'failure to notify penalties' and how you can avoid them.

We know that most people take care to tell us at the right time when they have to pay tax, and then pay the right amount of tax. We use penalties to stop people who do not take care from gaining an unfair advantage.

To avoid this penalty you must tell us about any new taxable activity or any change in your tax situation that might affect your tax such as:

- you become chargeable or liable to pay tax
- your turnover reaches the point when you have to register with us
- you start a commercial activity which you must register with us.

What is the penalty?

The failure to notify penalty will be a percentage of the tax, VAT or duty you do not pay as result of the failure. You will still have to pay the money you owe in addition to the penalty, and we may charge you interest.

Which taxes are affected?

We are aiming to make the tax system simpler by introducing standard penalties across a wide range of taxes. From 1 April 2010, we will apply the Failure to Notify penalty to 20 taxes including Betting and Gaming Duties, Capital Gains Tax, Corporation Tax, Environmental Taxes, Excise Duties, Income Tax, Insurance Premium Tax, Class 4 National Insurance Contributions and VAT.

Self Employment and Class 2 NIC

There is a very similar penalty for Class 2 National Insurance that we will apply if you do not tell us that you have to pay Class 2 NIC because you have become self-employed. Anyone who starts self employment after 6 April 2009 must tell us by 31 January following the end of the tax year, or we will charge them a failure to notify penalty. Please remember that if you do not pay the correct amount of NIC, in addition to a penalty, your contributions record may be incomplete and could affect your entitlement to National Insurance Benefits - such as the state pension.

Common examples of failure to notify, that can result in a penalty

- A business exceeds the VAT registration threshold and they do not tell us within 30 days.
- Someone who has not received a self-assessment return or notice to file does not tell us that they may need one because they have untaxed income or capital gains to declare.
- A company who has not received a Corporation Tax return or notice to file does not tell us they have become chargeable to tax.
- A person makes a taxable profit from self-employment for the first time, but fails to notify us that this makes them liable to pay tax.

So if you

- start a new business activity
- sell a major business or personal asset
- find your business turnover increases
- are unsure about your tax position

please check your tax position with us or a competent adviser, and check at www.hmrc.gov.uk/about/new-penalties/faqs.htm#40 for the dates you must notify us by.

What happens if I had a reason for not notifying HMRC on time?

If you had a reasonable excuse for not notifying us on time, we will reconsider the penalty and may reduce it to nil. The reasonable excuse must apply throughout the period when you failed to notify us and you must have told us as soon as possible after the reasonable excuse ended.

These are usually exceptional events beyond your control such as:

- the death of a partner or close relative
- you, your partner, or a close relative had a serious illness.

What can I do to reduce a failure to notify penalty?

We may reduce the penalty if you:

- tell us as much as you can about the failure and additional tax liability
- help us work out what tax is due
- give us access to your figures.

The biggest reduction may apply if you make an unprompted disclosure. A disclosure is unprompted if you tell us about it when you have no reason to believe that we have discovered, or are about to discover it. Anything else is a prompted disclosure.

One aim of the new penalty system is to encourage business and individuals to join the tax system. If you make a full and unprompted disclosure before any tax is more than 12 months late, we may reduce your penalty to nil. Even if you tell us after this time, we may still reduce any penalty.

The table below shows the penalty ranges. We may reduce a penalty within each range depending on the reason for the failure and the type of disclosure.

Why you failed to notify us	Disclosure	Minimum penalty	Maximum penalty
Reasonable excuse		No penalty	No penalty
Not deliberate	Unprompted	0% within 12 months of tax being due, otherwise 10%	30%
	Prompted	10% within 12 months of tax being due, otherwise 20%	30%
Deliberate	Unprompted	20%	70%
	Prompted	35%	70%
Deliberate and concealed	Unprompted	30%	100%
	Prompted	50%	100%

What if I disagree with the penalty?

You can ask us to review a penalty or you can appeal against it to an independent tribunal. Our factsheet **HMRC 1** explains how to do this. It can be downloaded from our website at www.hmrc.gov.uk/factsheets/hmrc1.pdf.

Where can I get more information and help

You can find more information at www.hmrc.gov.uk/about/new-penalties or from our website at www.hmrc.gov.uk/index.htm or phone one of our helplines:

- newly self employed - 0845 915 4515
- new employers - 0845 60 70 143
- VAT and other indirect taxes - 0845 010 9000

Additional helplines are listed on our website.