

Take care to avoid a penalty

**Penalties for incorrect tax returns and documents
have changed so please check your records are
accurate and up to date**



How can I avoid a penalty?

If you take reasonable care to get your tax right, we will not charge a penalty, even if you do make a mistake.

Most people take care to fill in their tax returns and documents correctly. We charge penalties to stop people who don't take care from gaining an unfair advantage and to encourage them to take care in the future.

Some of the ways you can take reasonable care include:

- keeping reliable records to help prepare accurate tax returns
- checking what the correct position is when you don't understand something

If you discover errors in a document after you have sent it in, please tell us promptly. Otherwise, we may treat any errors you made despite taking reasonable care as careless inaccuracies and charge a penalty.

What if I don't take reasonable care?

If you don't take reasonable care, we can charge a penalty for any errors in your return or other tax document.

If we find an error we will write or discuss your tax with you to work out the correct amount. If we think you have not taken reasonable care, we will tell you this and explain why we are charging a penalty before we send you a penalty notice.

We can also charge a penalty on a third party. We can only do this if they deliberately withhold information or deliberately supply false information to a person who has to complete a return.

What can I do to reduce a penalty?

The more serious the reason for the document being incorrect, the higher the penalty can be. We will charge a penalty if the inaccuracy:

- is careless - you failed to take reasonable care
- is deliberate - you knowingly sent us an incorrect document
- is deliberate and concealed - you intentionally sent us an incorrect document and tried to conceal the inaccuracy

You will have to pay the tax and any interest due, as well as the penalty.

We can substantially reduce a penalty, especially if you make an unprompted disclosure. Unprompted means that when you tell us about the inaccuracy you have no reason to believe we have discovered or are about to discover it.

The penalty is a percentage of any extra tax due - the table shows the rates.

| | | | | | | |
|---|---------------------|-------------------|-----------------------|---------------------|-----------------------------------|---------------------------------|
| No Penalty Reasonable care No Penalty | Max 30% | Max 30% | Max 70% | Max 70% | Max 100% | Max 100% |
| | Careless Unprompted | Careless Prompted | Deliberate Unprompted | Deliberate Prompted | Deliberate & Concealed Unprompted | Deliberate & Concealed Prompted |
| | Min 0% | Min 15% | Min 20% | Min 35% | Min 30% | Min 50% |

How much we reduce the penalty by depends on how much you:

- tell us about the inaccuracy
- help us work out whether extra tax is due
- allow us to check your figures

If we discover deliberate or deliberate and concealed errors, with extra tax due of more than £25,000, and you do not fully disclose what the true tax position is, we may also publish your name as a tax defaulter - see www.hmrc.gov.uk/about/tax-defaulters-q-a.htm

Can you suspend my penalty?

If you were careless, we may be able to suspend the penalty for up to a maximum of two years. We will set conditions to help you avoid making the same type of mistake. If you meet all our conditions we will cancel the penalty. If you don't, you will have to pay it.

We cannot suspend penalties that arise from deliberate errors.

What if I disagree?

If you don't agree with us, you can appeal against the penalty and the suspension conditions or have either reviewed - see our factsheet at www.hmrc.gov.uk/factsheets/hmrc1.pdf.

What taxes are affected?

These penalties apply to:

- Capital Gains Tax
- Construction Industry Scheme
- Corporation Tax
- Environmental Taxes
- Excise Duties
- Income Tax
- Inheritance Tax
- Insurance Premium Tax
- National Insurance contributions
- PAYE
- Petroleum Revenue Tax
- Stamp Duties
- VAT

More help

Find out more about these penalties at www.hmrc.gov.uk/about/new-penalties

For information about keeping records go to www.hmrc.gov.uk/record-keeping/index.htm and www.hmrc.gov.uk/factsheet/record-keeping.pdf

If you prefer to speak to us please phone the number on the tax return or letter we have sent you, look up HM Revenue & Customs in the Yellow Pages of your local telephone book, or check under 'Contact us' at www.hmrc.gov.uk

We have a range of options for people with disabilities, including guidance in Braille, audio and large print. Please contact our helplines if you need these services.