



## New penalties for late submission of Tax Returns

Since tax self-assessment was introduced in the UK in April 1996 there has been little change to the penalties that apply if Tax Returns are filed late. As a result, many in the self-assessment system have become used to the fact that even if a Tax Return is submitted after the official deadline, they will not be liable for any penalty – as long as no liability is due or that any owing is settled in time.

In April 2011, HM Revenue & Customs introduced a much stricter penalty regime, and a £100 fixed penalty fine will apply for any Return which is submitted late - even if there is no tax to pay or if the tax due is paid on time.

The deadline for submitting a paper copy of the 2010/11 Tax Return has passed, but for those submitting an electronic Tax Return it is important to note that it must be filed by 31 January 2012 to avoid any penalty.

Do also note that continual non-submission will mean additional penalties. Once a Tax Return is more than three months late, automatic penalties of £10 per day will apply up to a maximum of £900. Once the Return is six months late there will be a further penalty of 5% of tax due or £300, whichever is greater. If the Return is twelve months late then another penalty will apply, and in serious cases, up to 100 % of any tax due can be charged.

For example, Mr Tardy fails to electronically file his Tax Return for 2010/11 until 31 August 2012. The deadline was 31 January 2012. His tax liability reported on the Tax Return is a modest £90.

### The following penalties will apply:

- £100** Tax Return not submitted by 31.1.2012
- £900** 3 months late – Maximum Penalty
- £300** or 5% of tax due (whichever greater) 6 months late

### £1,300 TOTAL PENALTY

Separately penalties will continue to apply to late payment of the tax due. Therefore inaction is an extremely costly option, and sensible tax planning now includes ensuring your Tax Return is submitted on time!

At The Fry Group our tax service includes the preparation of annual Tax Returns as well as Tax Mitigation and Tax Planning.

If you need help or advice with your tax affairs please get in touch. Please also feel free to forward this E-Bulletin to any friends or colleagues who you feel might be interested to understand more about the new tax penalty regime.

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