HMRC - CFM98750 - Procedure: Extended Time Limits Where There Is A Discovery

TIOPA10/SCH7A/PARA 42

The extended time limits for opening an interest restriction enquiry are analogous to the “discovery assessment” provisions in FA98/SCH18/PARA41. As the interest restriction provisions work primarily at group level, this approach is less cumbersome than procedures requiring assessments to be made on all UK group members. The taxpayer safeguards reflect those in the FA98/SCH18 provisions.

PARA42(1) permits either the opening of a new enquiry or the reopening of a closed enquiry.

This rule can apply where an officer of HMRC has reasonable grounds for considering that an interest restriction return is incorrect (by not complying with the requirements of PARA20(3) see CFM98430), that this would lead to an increase in tax payable by a company, and either a closure notice had been issued in respect of a previous enquiry, or the normal time limit for opening an enquiry has passed.

This is subject to the restriction that, at the time the closure notice was issued, or the normal time limit expired, the officer of HMRC could not have been expected to be aware

The “relevant information” is:

information contained in the interest restriction return, or the two returns immediately preceding the group’s period of account;

documents, etc. provided in respect of a previous enquiry into the interest restriction return or the two previous returns;

information the existence and relevance of which could be inferred from the information above or was notified by the reporting company or a person acting on its behalf.

Again, this broadly parallels FA98/SCH18/PARA44.

The extended time limits, in terms of time after the end of the period of account, are:

20 years in a case of deliberate non-compliance by the reporting company or a person acting on its behalf.

6 years in a case of careless non-compliance; and

4 years otherwise.

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