HMRC - CFM99020 - Administration: Penalties: Introduction To Penalties For Incorrect Return

TIOPA10/SCH7A/PARA30

TIOPA10/SCH7A/PARA30 may impose a penalty in respect of an incorrect or uncorrected return.

This can arise where a (reporting) company, or a person acting on its behalf, submits an incorrect interest restriction return for a worldwide groupfor a period of account, and one of the following conditions applies:

the total disallowed amount S373 for the worldwide group is understated (including a case where it is incorrectly stated as zero); or

the interest reactivation cap, S373 for the worldwide group is overstated.

The penalty is the “appropriate part”, or percentage, of the “notional tax”, depending on the level of inaccuracy, see CFM99030. The percentage can range from 30% to 100% depending on the level of inaccuracy, but these percentages can be reduced for disclosure, or in special circumstances, which includes cases where basing the computation of the notional tax might give rise to an unfair result (see PARA33).

If the error is that of the company’s agent, and the company took reasonable care to avoid the inaccuracy, no penalty is due.

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