HMRC - CH143260 - Amended Assessments And Discovery Assessments - Examples

You must check whether, and from which date, the FA 2009 interest rules apply to the tax or duty you are dealing with. See CH140160 for full details.

Example 1 - amended assessment

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Henry self-assessed his 2012-13 income tax liability at £25,000. He made full ITSA payments on account, based on his previous year’s liability of £22,000:

£11,000 on 31 January 2013, and

£11,000 on 31 July 2013.

He made a balancing payment of £3,000 on 31 January 2014.

After an enquiry into Henry’s 2012-13 return, his income tax liability for that year increased to £29,000.

Henry has 30 days to pay the additional £4,000. However, the late payment interest start date is 31 January 2014, because this is the day by which he should have paid the additional £4,000 within his balancing payment for 2012-13 if his self-assessment had been correct.

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Example 2 - reduced payments on account

Henrietta also had a liability of £22,000 for 2011-12, but made a claim to reduce her total ITSA payments on account from £22,000 to £20,000 because she expected her income tax liability for 2012-13 to be £2,000 less than for 2011-12. She then self-assessed her 2012-13 income tax liability at £25,000, so her balancing payment was £5,000 and the claim to reduce was therefore excessive. Henrietta paid each ITSA payment on account of £10,000 and the balancing payment of £5,000 on their due dates.

After an enquiry into Henrietta’s 2012-13 return, her income tax liability for that year increased to £29,000. We charge interest on the amount that Henrietta reduced her payments on account and on the increase in her self-assessment liability following our enquiry.

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The total liability after the enquiry is £29,000. The additional tax resulting from the enquiry of £4,000 is to be paid within 30 days of the enquiry settlement.

For Henrietta’s ITSA payments on account, we calculate late payment interest as explained in CH142240. We charge late payment interest on the amount by which each payment of £10,000 was underpaid, when compared with the lesser of

the total of each reduced payment on account and 50% of the balancing payment, and

the amount of tax that would have been payable as a payment on account if the claim to reduce their payments on account had not been made.

Therefore, late payment interest would be calculated as shown in the following table.

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Example 3 - obligation to file a self assessment tax return after a notice to file has been withdrawn

Trevor received a notice to file his 2013-14 SA tax return. Trevor contacted us and requested that we withdraw the notice to file an SA tax return because he had no income that required an SA tax return to be filed. We granted this request and withdrew Trevor’s obligation to file an SA tax return.

On 20 March 2015 Trevor realised that he should have filed an SA tax return to include some self employed income that he had overlooked.

Late payment interest will start on 31 January 2015, which is the due date for payment that would have applied had the original notice to file not been withdrawn.

See CH140220 for how to calculate the number of days.

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