HMRC - CH152700 - Penalties: Monthly And Quarterly Tax Periods - Examples

This page provides an example of calculating the penalties for failing to pay on time. The employer is required to make monthly PAYE payments but has been late with some payments. The example has two stages.

Stage 1

This shows a default penalty calculated after the year end.

Stage 2

This shows the default and further penalties calculated after the year end.

Stage 1

Default penalty

This example shows monthly payments, but the same principles apply to quarterly payments.

Howard is an employer who pays his PAYE monthly. He fails to make his payments for May, June, August, November, January and April by the due date. It makes no difference to the calculation of the penalty whether the penalties are assessed during the year of after the year end. The table below shows the number of failures and the number of defaults for the tax.

Stage 1

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Stage 2

This shows the default and further penalties calculated after the year end.

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Default penalty

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Howard is an employer who pays his PAYE monthly. He fails to make his payments for May, June, August, November, January and April by the due date. It makes no difference to the calculation of the penalty whether the penalties are assessed during the year of after the year end. The table below shows the number of failures and the number of defaults for the tax.

All the failures except the first are defaults. See CH152450 for meaning of defaults. Howard has 6 failures but 5 defaults.

Note that if Howard also had an obligation to make CIS payments in the above periods, then the PAYE/NIC obligation and the CIS obligation are treated as the same tax when calculating the default penalties for failing to pay on time. A failure to pay two or more elements of the combined amount by the due date for a single month counts only as one failure.

Stage 2

Default and further penalties after the year end

Stage 1 of this example showed the default penalties Howard incurred for 2012/13. By looking at the tax still unpaid at later dates we can calculate any further 5% penalties that are also due.

Any amount that remains unpaid 6 months after the penalty date attracts a 6 month 5% further penalty, as well as any default penalty that was due.

Any amount that remains unpaid 12 months after the penalty date also attracts a 12 month 5% further penalty.

By the end of the year Howard had paid off some of the outstanding amounts, but other amounts were still unpaid. The unpaid amounts and the penalty consequences are shown in the table below.

Note that the first failure for May, which does not count as a default or incur a default penalty, does attract a further penalty if it remains unpaid at 6 or 12 months after the penalty date.

Although the penalties will be assessed at different stages, for 2012/13 Howard has incurred total penalties of £4,235, as follows.

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