HMRC - CH81120 - What Is Reasonable Care

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An inaccuracy that is careless incurs a penalty. The law defines ‘careless’ as a failure to take reasonable care, see CH81140.

Every person must take reasonable care, but ‘reasonable care’ cannot be identified without consideration of the particular person’s abilities and circumstances. HMRC recognises the wide range of abilities and circumstances of those persons completing returns or claims.

So whilst each person has a responsibility to take reasonable care, what is necessary for each person to discharge that responsibility has to be viewed in the light of that person’s abilities and circumstances.

For example, we do not expect the same level of knowledge or expertise from a self-employed un-represented individual as we do from a large multinational company. We would expect a higher degree of care to be taken over large and complex matters than simple straightforward ones.

HMRC expects each person to make and preserve sufficient records for them to make a correct and complete return.

A person with simple, straightforward tax affairs needs only a simple regime provided they follow it carefully. But a person with larger and more complex tax affairs will need to put in place more sophisticated systems and follow them equally carefully.

In HMRC’s view it is reasonable to expect a person who encounters a transaction or other event with which they are not familiar to take care to find out about the correct tax treatment or to seek appropriate advice.

If after that the person is still unsure they should draw attention to the entry and the uncertainty when they send the return or document to us. In these circumstances the person will have taken reasonable care to draw our attention to the point and if they are wrong they will not have been carelessly so.

Please note that special rules apply when considering what is reasonable care for inaccuracies relating to avoidance arrangements in a document submitted on or after 16 November 2017, which relates to a tax period that began on or after 6 April 2017 and ended after 15 November 2017. For further guidance see CH81122.

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