HMRC - CH82161 - Examples Of PLR For A Single Inaccuracy

You must check the date from which these rules apply for the tax or duty you are dealing with. See You must check the date from which these rules apply for the tax or duty you are dealing with. See for full details.

Example 1

Al, a self-employed painter and decorator, submitted his 2009-10 Self Assessment return showing a liability to income tax and Class 4 NICs of £7,500. Following a compliance check it was agreed that Al’s correct liability to income tax and NIC for 2009-10 was £9,500.

The potential lost revenue (PLR) is £2,000 (£9,500 - £7,500).

Example 2

Salim puts in a VAT repayment claim of £3,000 to recover the VAT on the setting-up costs of his new business. After the sum of £3,000 has been repaid, a compliance check reveals that he has claimed for items on which input tax is not recoverable. His claim is reduced to £1,200.

The potential lost revenue (PLR) is £1,800 (£3,000 - £1,200).

Example 3

Ian, a company director, submitted his 2009-10 return claiming a repayment of tax deducted at source of £15,000. Following a compliance check in advance of the repayment being made, it was agreed that no repayment was due and that Ian owed income tax of £2,000.

The potential lost revenue (PLR) is £17,000 (£15,000 + £2,000).

Example 4

Elizabeth submitted an IHT account in respect of her late father’s estate. The estate exceeds the amount of the IHT “nil rate band” and is wholly non-exempt. At a later date, Elizabeth uncovers a further bank account containing £50,000.

The potential lost revenue (PLR) is £20,000 (£50,000 x 40%).

Example 5

Angela submitted an IHT account in respect of her late father’s estate. The estate exceeds the amount of the IHT “nil rate band” and is wholly non-exempt. She has completed the account based on information provided by the Trustees of a settlement in which her late father had a qualifying interest. At a later date we discover a bank account holding £120,000 which the Trustees did not disclose. The Trustees were fully aware of this account but deliberately failed to tell Angela about it. The Trustees are liable to a penalty.

The potential lost revenue (PLR) for the Trustee’s penalty is £48,000 (£120,000 x 40%).

If Angela took reasonable care to make sure that IHT account was accurate she will not be liable to a penalty.

Example 6

Angus, an authorised warehouse keeper submits his daily warrant along with a cheque for £100,000 for the excise duty due on the removal of wine from the warehouse that day. Following an audit inspection, the stock records show that the revenue due on the wine released on that day should actually have been £120,000.

The potential lost revenue (PLR) is therefore £20,000 (£120,000 - £100,000).

Example 7

Linda, a Trustee of a Settlement, submitted the 2009-10 SA Trust return showing a liability to income tax of £20,000 in respect of rental income. A compliance check subsequently revealed that the rental income was understated and the correct liability was £25,000.

The potential lost revenue (PLR) is £5,000 (£25,000 - £20,000).

Example 8

Rainyday Insurance Ltd uses the cash receipt method to account for their Insurance Premium Tax (IPT). The tax is due when payment of a premium is received by the insurer or someone acting on their behalf. Rainyday’s IPT returns are due at the end of each calendar quarter – March, June, September and December.

Insurance premium payments totalling £84,000 (inclusive of 5% IPT) are received from customers paying by instalments on 1 March. The IPT should be declared on the March return. However, the company’s bank statements for March are mislaid and as a result the accounting staff fails to enter the £84,000 premiums onto the IPT return.

The potential lost revenue (PLR) for the inaccuracy in the March return is the amount of IPT that has been understated. This is calculated as £84,000 x 1/21 = £4,000.

Example 9

Arthur, a registered brewer submits his monthly duty return showing a calculation for 100 cases of beer with a duty value of £4,500. Following a compliance check, the officer identifies that 110 cases had actually been removed from the premises within the relevant accounting period, with a duty value for the additional 10 cases of £450.

The potential lost revenue (PLR) is £450.

Example 10

A Ltd pays corporation tax and claims capital allowances for Year 1. It is agreed that the total of capital allowances claimed is too high and correcting this results in additional tax due for the period of £10,000.

During the course of the compliance check, the return for Year 2 is submitted. The capital allowances written down value brought forward figure is too high because of the inaccuracy in Year 1. Correcting this figure results in further tax due in Year 2 of £2,000.

The total potential lost revenue (PLR) for the inaccuracy in Year 1 is £12,000. This reflects the total amount of tax due as a result of correcting the inaccuracy.

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