HMRC - CH82162 - Examples Of PLR For An Under-Assessment

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Alec didn’t send his completed VAT return for the quarter ended 30 September 2011. We issued a central assessment for £20,000. Alec eventually submitted the VAT return which showed a liability of £27,000. He did not contact us at any time to tell us that the assessment was too low.

Scenario 1 (Return accepted)

Alec’s late return is accepted without challenge. The potential lost revenue (PLR) is £7,000 (£27,000 - £20,000).

Scenario 2 (Inaccuracy despite taking reasonable care)

An assurance visit establishes that Alec’s VAT return is inaccurate and that the correct figure of tax due is £30,000. The officer accepts that Alec had taken reasonable care in completing his return so there is no penalty for the inaccuracy. The PLR for the under-assessment is £10,000 (£30,000 – £20,000), that is, the difference between the amount assessed and the final liability.

Scenario 3 (Careless inaccuracy)

The facts are the same as for scenario 2 except that the inaccuracy in Alec’s VAT return is due to his failure to take reasonable care.

The PLR for the under-assessment is £10,000 (£30,000 – £20,000).

However, as Alec failed to take reasonable care he is also liable to a penalty for inaccuracy. The PLR for that is £3,000 (£30,000 - £27,000), that is, the difference between the amount returned and the final liability.

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See](https://www.gov.uk/hmrc-internal-manuals/compliance-handbook/ch84970) for the rules to be applied where more than one penalty is chargeable in respect of the same tax liability.

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