HMRC - CH82200 - Grouping Inaccuracies

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.

When you calculate the potential lost revenue (PLR) for more than one inaccuracy in the same document, you may simplify the calculations by grouping. You may group inaccuracies together and treat them as a single inaccuracy for calculating the PLR and penalty if

they have the same underlying behaviour, see CH81110

they have the same type of disclosure – unprompted or prompted, see CH82420, and

any suspension conditions, see CH83250, can be aligned.

For example

There are three inaccuracies in a set of accounts

\* private expenditure wrongly included in repairs deduction £10,000 \* income omitted from turnover £5,000 \* private use motoring understated £1,000.

All these are found to be careless inaccuracies. The person made a prompted disclosure for each one. As the inaccuracies all arise from shortcomings with the record-keeping, similar suspension conditions are appropriate. The three inaccuracies can be grouped and treated as a single careless inaccuracy resulting in an understatement of tax totalling £16,000.

It is a single inaccuracy for calculating PLR and the penalty. The amount of the reduction for quality of disclosure, see CH82410, will reflect the person’s telling, helping and giving in respect of the single inaccuracy.

If inaccuracies have the same underlying behaviour but are subject to differing levels of disclosure, they should only be grouped if the overall reduction for disclosure would be a reasonable reflection of the reduction due if the inaccuracies were dealt with separately. If suspension is appropriate the conditions set out in CH83250 should reflect the criteria necessary to put right each inaccuracy in the group.

You should always give the person clear notice of which inaccuracies have been grouped and what the underlying behaviour and disclosure reduction is for each group. If the person does not want the inaccuracies grouped they should be treated separately and the rules for multiple inaccuracies, see CH82250, followed.

If it is not possible to group inaccuracies there will be more than one inaccuracy and the multiple inaccuracy rules, see CH82250, will need to be followed to arrive at the PLR.

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