HMRC - COM71040 - Making Jeopardy Amendments

This subject is presented as follows.

Background

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During the course of an enquiry, you can make a jeopardy amendment to the company’s self assessment if you believe that:

the self assessment understates the company’s true tax liability

there is likely to be a loss of tax to the Crown unless the assessment is amended at once.

The self assessment is amended for all purposes when you give written notice to that effect to the company.

This is not a routine procedure. You must read the guidance in the Enquiry Manual at EM1951 to EM1955 before making a jeopardy amendment.

You should only make a jeopardy amendment where there is a real risk of the loss of substantial amounts of tax. For example, where omissions of taxable profit may have been established but the company has refused to make payment on account of a final settlement and you have information suggesting that it is about to go into liquidation or remove assets abroad.

A company can appeal against such an amendment and seek postponement of tax, but the appeal cannot be heard until the enquiry has ended.

Enquiry into return for the wrong period

If the return under enquiry was made for the wrong period, you must not amend the COTAX record to show the AP for which a return should have been made before using function RAMA to prepare your jeopardy amendment.

The power to amend the company’s self assessment during enquiry does not extend to designating the period for which the return should have been made. You can only do that in the closure notice. See COM71060 for more information.

Function RAMA (Record / Amend Assessment)

You can use function RAMA ‘prepare a jeopardy amendment’ option to make a jeopardy amendment for any live AP:

where a self assessment exists on the live AP or any linked superseded AP

which is currently the subject of an enquiry

with no informal discharge present on it

where the last valid action on the AP was to record a self assessment, correct a return, record a taxpayer amendment, process a claim or prepare a jeopardy amendment.

COTAX initially shows you the details for the last issued assessment version for the AP. When you have made your changes and confirmed them, COTAX:

records the jeopardy amendment to the self assessment

automatically makes or amends any tax-related penalty determination based on the amended assessment if it can, or enters the case on the PENR work list (Penalty Requiring Review List) for manual review

issues a ‘notice of amendment of self assessment during enquiry into company tax return’ to the company.

The output shows has a payslip attached and shows:

the date of issue and the amended figures

an appropriate ‘jeopardy’ message.

Once you have used function RAMA to make a jeopardy amendment you cannot alter it before it is issued or stop its issue.

If there are exceptional circumstances which mean that there would be a loss of tax if you did not immediately deliver the notice of jeopardy amendment to the company rather than wait for service by post, you should prepare and issue the notice manually. See the Enquiry Manual at EM1954 for the correct form of words to use. If you need to issue the notice before the due date for the AP under enquiry replace ‘NOW’, in the phrase ‘Any tax shown is due NOW’, with ‘on or before …….’, inserting the due date for the AP under enquiry.

You should then use function RAMA to:

update the COTAX record with the details of the jeopardy amendment

suppress the assessing output.

See:

COM71021 for a list of forms relevant to this subject

COM71011 for a list of functions to use in particular situations

COM71012 For legislation applying to this subject.

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