HMRC - COM71090 - Closing An Enquiry: Non-Contract Settlements

This subject is presented as follows.

If there is a jeopardy amendment

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See COM71040 and COM71050 for guidance on how closing an enquiry is affected by the existence of a jeopardy amendment.

Amendment anticipating conclusions in a closure notice

See COM71020 for guidance on dealing with an amendment that anticipates the conclusions in a closure notice.

Closure notice

You must issue a closure notice to the company at the end of every enquiry under CTSA, unless you intend to seek a contract settlement. See COM71120 and the Enquiry Manual at EM3831 onwards.

An enquiry is treated as finished when you give written notice of completion to the company and state your conclusions.

Amendment of return after enquiry {#}

Enquiries concluded on or after 1 April 2010

The closure notice takes effect when it is issued and amends the return:

to give effect to the conclusions stated in the notice

in the case of a return for the wrong period, to make it a return appropriate to the designated period.

If you conclude that the return under enquiry was for the wrong period, you need to change the COTAX record to show the correct AP before issuing your closure notice with revenue amendment. See COM71060 for more information.

Where there is more than one AP ending in or at the end of the period specified in the notice requiring the return, the closure notice shows only the first of those APs for which no return has been made. For more information and an example, see the Enquiry Manual at EM3885 - EM3886.

Legislation provides for a return to be delivered for any other

By further notice to the company, you can make any amendments of other company tax returns delivered by the company that are required to give effect to the conclusions stated in the closure notice.

Enquiries concluded before 1 April 2010

Paragraph 34 Sch 18 FA 1998 was amended by Section 119 Finance Act 2008 for enquiries ended on or after 1 April 2010 and different closure procedures applied to enquiries concluded before 1 April 2010. A company had 30 days from the issue of the closure notice to amend its return. If the company failed to do so within that time limit, or if the amendment was not satisfactory, HMRC had a further 30 days in which to amend the return.

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Right of appeal

The company can appeal against a revenue amendment and the normal rules for appeals and postponement applications apply. It can then negotiate further, settle under Section 54 TMA, ask for a review, or notify the appeal to the Tribunal.

The facility to agree a contract settlement for all outstanding liabilities most often applies to those cases involving liability to penalties as well as additional tax. See COM71120 and the Enquiry Manual at EM6000 onwards.

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COTAX action

When an enquiry results in an amendment to the entries on an original return, you use function RAMA ‘prepare a closure notice with rev amdt’ option, to issue the closure notice.

Screen COT121N shows a full computation of the existing tax charge as shown on the return or as changed by any later amendments. You adjust the figures to reflect the outcome of the enquiry.

COTAX issues your computation to the company, with messages explaining that:

it is the formal enquiry closure notice

the figures reflect your conclusions

it amends the return to give effect to the conclusions stated in the notice.

COTAX also:

creates the relevant postings in function VPPD (View Payments and Postings)

puts in place a 14 day inhibition on automatic repayments and reallocations and on the use of function DIRR (Direct Repayment) to give you the time to deal with the consequences of your enquiry, for example, where you are amending more than one return at the same time

enters the enquiry end date equal to the date of issue of the closure notice

changes the ‘enquiry in progress’ signal to ‘N’.

If you issue a manual closure notice and revenue amendment because the wording of the standard COTAX closure notice does not suit your case, you need to record your revenue amendment on COTAX later. See COM71093 and COM71110 for guidance.

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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