HMRC - COM71120 - Closing An Enquiry: Closing An Enquiry: Contract Settlements

In a contract settlement case, you should follow the general procedures in the Enquiry Manual at EM6000 onwards and the SAFE accounting procedures at EM6403 to EM6408, subject to the following modifications for a CTSA AP.

In particular, it is essential that you amend the COTAX record to reflect the accounting arrangements made during the settlement.

At EM6001, the Enquiry Manual tells you to be particularly careful not to issue anything which could be construed as a closure notice when you intend to conclude an enquiry by contract settlement.

With that in mind you should not use function RAMA, ‘prepare a closure notice with rev amdt’ option to issue a closure notice but see EM1990 if the Tribunal has directed that a closure notice be issued.

It is essential to look at and understand the COTAX charge and payment record for all relevant APs in function VPPD (View Payment and Posting Details) before agreeing the terms of the settlement. The general principles are then as follows.

Leave undisturbed any assessments, including self assessments, and late filing penalty determinations already made. Do not make any new ones.

Leave in place any payments recorded on the COTAX record against assessments, interest charged, and penalty determinations.

Informally discharge any unpaid liabilities using function RINF (Record Informal Discharge).

Reallocate any overpayment from COTAX to the settlement charge using function REOD (Direct Reallocation Out of COTAX).

If an overpayment recorded on COTAX exceeds the amount you need to reallocate to cover the contract settlement charge:

reallocate the necessary amount using function REOD (Direct Reallocation Out Of COTAX)

use function REWD (Direct Reallocation Within COTAX) to reallocate the balance against other liabilities

if there are no such liabilities, repay the balance to the company using function DIRR (Direct Repayment).

After you have made those changes, you need to record on COTAX that the enquiry has been concluded.

Use function MAPS (Maintain AP Signals) to enter the enquiry ended date equal to the date that the settlement offer is accepted. That automatically sets the ‘enquiry in progress’ signal to ‘N’. You can view the changes to those signals in function DAPD (Display AP Details).

See:

the Action Guide at COM71120 for the detailed procedures to follow

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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