HMRC - COM71121 - Closing An Enquiry: Closing An Enquiry: Contract Settlements (Action Guide)

To close an enquiry in a contract settlement case involving any CTSA AP, consider steps 1 - 25 below. The guide is presented as follows.

Warning

Reviewing the company’s accounting record

Existing assessments and penalty determinations

 Leave undisturbed any assessments, including self assessments and late filing penalties on the COTAX record for relevant APs. Do not make any new ones.

Payments

10. If, exceptionally, the company has paid more than the liabilities recorded on COTAX so that the AP is shown as overpaid, do not include the overpaid amount within the amount you record as ‘paid against assessments’ in part 3 of form 94. Instead, show it further down form 94 as an amount to be reallocated against the settlement charge.

Follow steps 19 - 21 below.

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Informal discharge

11. Use function RINF (Record Informal Discharge) to informally discharge all unpaid liabilities to tax, interest and late filing penalties for APs included in the settlement, but see step 12 if it is a quarterly payer case.

12. Use function DAPD (Display AP Details) to check if there is a posting for debit or credit interest on the COTAX record for the AP. If there is, use function MAPS (Maintain AP Signals) to set the

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Interest

13. Do not assume that the interest position reflected in the postings in function VPPD is finally complete and correct.

14. Use function CINT (Compute Interest) to calculate the correct interest due under S87A TMA 1970 up to the date when you expect the settlement charge to be paid. Calculate interest on those duties included in the contract settlement. Give credit for any interest already paid on the duties included in the settlement as ‘amounts paid against assessments’.

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Late filing penalties

15. For the purposes of the contract settlement, exclude penalties determined and paid and leave the payments on the COTAX record.

16. If all or part of the penalty has not been paid, include the penalty in the contract settlement and give credit for any amount paid as an amount ‘paid against assessments’.

17. Where any late filing penalties have not yet been determined:

do not make a determination

use function MPEN (Maintain Penalty Signals) to set the ‘no penalty required’ (NPR) signal

include the penalty in the settlement.

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Making set-offs against the settlement charge

18. Follow the guidance at EM6403 to EM6408 and use the R90A procedure to set off a repayment due for an AP or duty outside the scope of COTAX against the settlement charge.

19. Use function REOD (Direct Reallocation Out Of COTAX) if you need to reallocate an overpayment on the COTAX record to the contract settlement charge held by the Network Unit. See COM122060 for more information.

If the overpayment is for an AP outside the enquiry period, use function RINT to calculate the correct repayment interest and enter it on the form CT251 that you send to the CT Unit Cumbernauld. COM120100 has guidance on completing the CT251.

If the overpayment is for an AP within the enquiry period, you will have taken it into account in your calculations of interest included in the settlement, and no repayment interest needs to be added to the reallocation.

20. Whether you make the set-off under the R90A procedure or using function REOD, you must enter the details on form 94 and the SAFE stencil. Send form CT251 to the CT Unit Cumbernauld asking for the money to be reallocated against the contract settlement charge. Allow sufficient time for the set off to reach SAFE before issuing the stencil to the SAFE nominee.

21. If an overpayment recorded on COTAX for an enquiry AP exceeds the amount you need to reallocate to cover the contract settlement charge, you should reallocate the necessary amount using function REOD and use function REWD (Direct Reallocation Within COTAX) to reallocate it against other liabilities Function or DIRR (Direct Repayment) to repay the balance to the company.

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Function MAPS

Once you have made all the necessary changes to the COTAX record, you need to tell COTAX that the enquiry has been concluded.

22. You normally use function MAPS (Maintain AP Signals) to enter the enquiry ended date equal to the date that the settlement offer is accepted, which sets the ‘enquiry in progress’ signal to ‘N’.

23. However, if you have already recorded a revenue amendment because the company or agent insisted on a formal closure notice, do not use function MAPS as COTAX automatically entered the date of issue of the closure notice as the enquiry end date and set the ‘enquiry in progress’ signal to ‘N’ when the revenue amendment was recorded.

24. Use function MRSC (Maintain Repay / Realloc Signals (Company)) to uninhibit reallocations or repayments to or from any AP of the company if you inhibited them at step 4.

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Interaction with Caseflow or CQI

25. If your office uses Caseflow or CQI, update it with the settlement details once the enquiry is settled in COTAX.

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