HMRC - COM71122 - Closing An Enquiry: Closing An Enquiry: Contract Settlements Helpcard For Caseworkers

If you are a caseworker and are ready to ask a COTAX operator to close an enquiry in a contract settlement case, consider steps 1 - 29 below. The guide is presented as follows.

General guidance

 You must give the COTAX operator clear and full instructions on the action you want them to take on the COTAX record and make sure they know that it is a contract settlement.

Initial actions

Reviewing the company’s accounting record

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Further action

 Do not:

ask the COTAX operator to disturb any assessments and late filing penalties on the COTAX record for the relevant APs

ask for any new assessments or late filing penalties to be made

ask the COTAX operator to disturb any payments allocated against assessments, late payment interest and late filing penalties on the COTAX record where they are included in the gross offer.

 Complete form 94.

10. Complete the SAFE stencil as shown in EM6403.

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The taxpayer or agent insists on the issue of a closure notice before making a contract settlement

11. Advise the taxpayer that the issue of a closure notice will have the effect of bringing all the outstanding liabilities into the Statement of Account and the recovery officer may well start enforcement action before the contract settlement has been finalised. Go to step 28.

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Amounts are available to set off against the settlement charge

12. Use the R90A procedure to set off a repayment due for an AP or duty outside the scope of COTAX against the settlement charge.

13. If you need the overpayment on the COTAX record to be reallocated to the contract settlements charge held by the Miscellaneous Charges Unit, go to steps 21 and 24 to see the instructions you need to give the COTAX operator then go to step 15.

14. If the overpayment is for an AP outside the enquiry period, go to step 22.

If the overpayment is for an AP within the enquiry period, you 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.

15. However the set-off is made, you must enter the details on form 94 and the SAFE stencil.

16. Send the CT251 to the CT Unit at 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 operator.

17. If the overpayment on COTAX exceeds the amount you need to cover the contract settlement charge, go to step 23.

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Finalising the enquiry on the IT systems

18. To finalise the enquiry on COTAX, go to step 24.

19. If the case has been recorded on CQI, go to step 26.

If the case has been recorded on Caseflow, go to step 27.

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Instructions to give the COTAX operator

21. Where amounts are available to set off against the settlement charge, ask the COTAX operator to use function REOD (Direct Reallocation out of COTAX) to transfer the overpayment on the COTAX record to OAS so it can be reallocated to the contract settlement charge held by the Miscellaneous Charges Unit. The COTAX operator should advise you of the OAS number to be entered on form CT251. You must read and follow the guidance at COM120100 on completing the CT251 then go to step 24.

22. If the overpayment is for an AP outside the enquiry period, ask the COTAX operator to use function RINT ((Repayment Interest Calculation) to calculate the correct repayment interest and enter it on the form CT251 that you send to the CT Unit in Cumbernauld, then go to step 24.

23. If the overpayment on COTAX exceeds the amount you need to cover the contract settlement charge:

ask the COTAX operator to reallocate the necessary amount

repay the balance to the company using function DIRR (Direct Repayment) or

reallocate it against other liabilities using function REWD (Direct Reallocation Within COTAX), then go to step 24.

24. To finalise the enquiry on the COTAX system, ask the COTAX operator to use function MAPS (Maintain AP Signals) to enter the closure date. Check that you have taken any necessary action at steps 15 or 21.

25. If the enquiry is recorded on CQI, go to step 26.

If the enquiry is recorded on Caseflow, go to step 27.

26. Show the conclusions of your enquiry on CQI. See the Managing Compliance Guide for further information.

27. Show the conclusions of your enquiry on Caseflow. See the COPGU area of the Enforcement and Compliance intranet site for more guidance.

28. If the taxpayer or agent insists on the issue of a closure notice before making a contract settlement, give instructions to the COTAX operator to issue a closure notice. As you do not normally issue a closure notice in a contract settlement case, you must make it quite clear to the COTAX operator that this is an exceptional case.

Your instructions must include the amendments that you have concluded are necessary as a result of your enquiry. You must show:

the entries to be amended and the amounts to be included

the amount of CT chargeable you expect to be calculated as a result of the amendments

whether the revenue amendment will affect any penalties and if so, whether the operator should allow them to be issued automatically.

When the closure notice is issued, automatic repayments and reallocations are automatically inhibited for 14 days. Consider whether you want the COTAX operator to use function MRSC (Maintain Rept / Realloc Signals (Company)) to inhibit reallocations or repayments to or from any AP of the company for a period longer than 14 days.

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The Tribunal has directed that you must complete your enquiry

29. You must do the following.

Notify the taxpayer in writing by asking the COTAX operator to issue a closure notice within the time specified and at the same time state your conclusions and make any amendments to the return.

Base your conclusions and figures on whatever evidence you have found to support or challenge the accuracy of the return, including any third party information. You do not have the right to require the taxpayer to produce any further information before stating your conclusions.

Where there is evidence of a liability to a penalty you must immediately start formal penalty proceedings.

Follow the guidance at EM5200 without waiting for the settlement to be finalised.

For further guidance see:

COM71020 for taxpayer amendments received during the course of an enquiry

COM71040 and COM71041 for making jeopardy amendments

COM71050 and COM71051 for appeals against jeopardy amendments

COM71060 and COM71061 for enquiries into the wrong period

EM6001 for contract settlements

EM1990 for the consequences of a Tribunal decision on a closure application.

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