HMRC - CTM93270 - CTSA: Unsatisfactory Return: Action To Take

Clerical staff check returns to see if they satisfy the FA98/SCH18/PARA3 obligation before they log them. They reject a ‘return’ as unsatisfactory (previously described as ‘incomplete’), if it does not meet the requirements of the notice to deliver a return. (A ‘return’ is something intended to meet the obligations of Paragraph 3 but which fails to do so.) Clerical staff are instructed to send a ‘return’ back if the CT600:

has not been signed,

does not include accounts,

does not include any supplementary pages that Page 1 says are included,

includes such entries as ‘to follow’, per computations’, ‘not known at present’ on pages 4 to 9, or any supplementary pages of the return form.

They should refer a ‘return’ to the Inspector if:

there is no entry in Section 2 of the CT600 (turnover),

or

they are otherwise uncertain whether the return meets the obligations imposed by Paragraph 3.

Inspectors should take care not to reject a ‘return’ as unsatisfactory simply because there is no figure for turnover. If the figure can be ascertained from the accounts, then do not send the return back as unsatisfactory. Entering a figure for turnover is not a correction because the information is already in the company tax return.

There will be cases in which clerical staff cannot (or do not) recognise that a ‘return’ is unsatisfactory. For example:

the CT600 should include one or more sets of supplementary pages but the company fails to file them and fails to complete the appropriate box on Page 1 of the return form,

an overseas company trading through a UK branch fails to provide branch accounts.

The best way to handle this situation is likely to depend on:

whether the ‘return’ is for a CTSA or a CTPF accounting period,

at what stage of processing the situation is discovered.

Ideally, under both CTSA and CTPF, it is desirable that you recognise an unsatisfactory ‘return’ as such as quickly as possible and reject it. Under CTSA you should ideally reject it before you record the Self-Assessment, but this may not always be achieved.

CTSA accounting periods

The company’s SA is usually recorded by clerical staff using the capture function. COTAX automatically issues form (CT620ACK). This acknowledges receipt ‘of the company tax return’. If necessary, COTAX will also attach a payment application and payslip if the normal due date has passed and tax is outstanding.

If the SA produces an overpayment, the acknowledgement mentions the fact. Unless inhibited from doing so, COTAX reallocates or repays automatically.

A company may regard such output, or possible reallocation/repayment as confirmation, not only that you have received the ‘return’, but that you regard it as meeting the obligations of Paragraph 3.

Although this will not necessarily be the correct assumption you should try to avoid rejecting a ‘return’ as unsatisfactory if:

the SA has been recorded (the charge is reflected in function VPPD).

and

output has been issued that reflects that we have acted on the ‘return’, for example:

the company is underpaid and the normal due date has passed,

or

the company is overpaid or has had a reallocation or repayment. (Check the postings in function VPPD).

Action if the ‘return’ is not under enquiry

In this situation you may be able to handle the problem by treating the matter under FA98/SCH18/PARA16 (1). This lets you amend a company tax return so as to correct obvious errors or omissions in the return (whether errors of principle, arithmetical mistakes or otherwise).

For example, if the omission consists of a failure to file supplementary pages CT600C in support of a claim to group relief, you might correct the return by disallowing the group relief claim. (See CTM93330 for how to correct a return.) Where you cannot correct the return, for example, you require additional information from the company, you will have to reject it, despite the action already taken clerically.

If you reject the ‘return’:

you should normally write a letter containing a note of apology.

if the rejected ‘return’ was received shortly before the filing date, or within the terms of ESC/B46 (see CTM94030), the company might be unable to meet its obligations under Paragraph 3. In these cases alert the company to the risk of it failing to deliver within the time allowed.

when the fully completed return is received the enquiry window will run from the later of:

the normal filing date, or

the next quarter date.

However, if you decide to enquire into the return you should try to start any enquiry within the time limit based on the date the ‘return’ was first received. This may forestall complaints. See also EM1501 onwards.

Action if the ‘return’ is under enquiry

If you have started an enquiry you may occasionally discover that the ‘return’ did not meet the obligations imposed by FA98/SCH18/PARA3. For example, there might have been ICTA88/S419 liability outstanding at the end of the accounting period that was extinguished within 9 months. Supplementary page CT600A should have been completed, showing the Section 419 charge and the ICTA88/S419 (4) relief due. The net tax effect is nil and the company may have failed to complete the CT600A.

As both you and the company have treated the ‘return as meeting the Paragraph 3 obligations you should continue to do so and carry on with the enquiry. Any matters arising from a failure to meet the Para 3 obligations should be dealt with as part of your enquiries. (This content has been withheld because of exemptions in the Freedom of Information Act 2000)

CTPF accounting periods

For CTPF accounting periods, logging the ‘return’ puts the declared liability into collection. Because the regime is one of Revenue assessment, logging the ‘return’ does not imply that you have accepted the ‘return’ as meeting the obligations imposed by FA98/SCH18/PARA3.

You may, therefore, reject a logged ‘return’ as not meeting the obligations imposed by Paragraph 3 and unlog it, at any reasonable time after it has been logged.

CTSA & CTPF: acting on accounts and computations only

You may receive accounts (with or without computations) without the relevant return form(s) and retain them pending receipt of the return form. When this happens:

for a CTSA period, the enquiry ‘window’ will not have opened, nor can you open an enquiry, until the company delivers the return form,

for a CTPF period, do not raise any queries on the accounts until the company delivers the return form. Failure to observe this guidance could mean that an adjustment to the company’s tax liability that should be culpable would not be culpable.

Clearly there should never be any discussion of accounts and computations when the return remains outstanding and the filing date has passed. It is wise to adopt the same approach when a company submits accounts without the return form before the filing date.

This does not mean that you cannot discuss technical issues, if the company or agent seeks your views before a return is filed, but you must ensure that the discussion takes place under COP10 guidelines and that you do not compromise any potential compliance position.

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