HMRC - CTM94140 - CTSA: Reasonable Excuse

TMA70/S118 (2)

The statutory filing date for the return will be a date at least twelve months after the end of the accounting period. In most cases the computer issues a reminder about one month before that date.

This allows adequate time to keep successful claims for ‘reasonable excuse’ to a minimum.

However, there will be occasions when a company tries hard to meet its filing obligation but fails because of unforeseen misfortune. You should not penalise such companies provided there is a reasonable excuse for the failure.

The company must remedy the failure as soon as can reasonably be expected after the excuse has run out.

Statute does not define ‘reasonable excuse’. You should consider all claims on their merits.

Honesty of purpose is a preliminary condition that a company always needs to fulfil. You also need to take into account the circumstances of the person making the claim. You expect a higher standard from an experienced controlling director than you do of a newly appointed director with no previous business experience.

You need to establish all the relevant facts, including:

the circumstances which led to the failure to submit the return in time,

the extent to which appropriate preliminary work such as preparation of accounts had been put in hand before the excuse prevented further progress,

whether the necessary steps were taken to remedy the failure after the excuse had ended.

The following is a guide to, though not an exhaustive list of, the circumstances that might amount to a reasonable excuse.

One director runs the company and he (or an immediate family member) dies or suffers a sudden and serious illness close to the filing date. Alternatively, the director has a prolonged and serious illness throughout much of the return period.

Unavoidable and unexpected absence abroad of the responsible director close to the deadline because of business commitments or domestic emergency.

Accidental destruction of the records through fire or flood.

Exceptional postal delays due to a strike by postal workers or other civil disruption.

The District did not receive a return but the company claims to have posted it in good time. (A return received up to the last working day within the period of seven days after the filing date escapes a penalty under ESC/B46 - see CTM94030 and CTM94170.)

Previous page

Next page