

FACTSHEET



Fines And Penalties – What To Be Aware Of When Running A Business?

HMRC collected £1.4 billion in fines and penalties in the year to 31st March 2020. These are entirely avoidable penalties for late tax returns, unpaid tax etc. Companies House also collected millions in late filing penalties.

To be forewarned is forearmed, so it is good to know the range and scope of penalties you will have to pay if you do not comply and we have put together such a list! This list is not meant to scare or worry you but to highlight what you need to be aware of.

Companies House – Private Limited Company

Late accounts attract a £150 fine if they are 1 month late, incrementally rising to £375 for 1 to 3 months late, £750 for 3 to 6 months late and after 6 months the fine is £1,500.

The penalties are doubled if you were late filing your accounts in the previous year.

Self-Assessment Tax Return

Due on 31st January each year, if it's 1 day late you pay £100 fine, but after this you pay £10 a day for up to 90 days (a maximum of £900). Then after 6 months the fine is 5% of the tax due or £300 (whichever is greater) and after 12 months, 5% of tax due or £300 (whichever is greater).

Additional penalties may be applied if HMRC believe you are intentionally withholding information to evade tax.

Paying your Tax Late

If you pay your tax late up to 30 days 5% of the tax due at the date you pay it. In addition, interest is chargeable, currently 2.6% on the outstanding liability.

VAT Returns

Should you register your business for VAT late there are penalties of between 5-15%, depending on how late your registration is.

Send in your VAT return late and you enter a surcharge period for 12 months – this is a 1st warning and if you are late again you will pay a % of your VAT due ranging from 2% to 15%, depending on how many times you submit your returns late.



VAT Penalties

HMRC can also charge you a penalty if they think you have been careless or deliberate in your returns and that is 100% of any tax understated.

In addition, if HMRC send you an assessment which is too low and you don't tell them within 30 days, they can charge you 30% of that assessment.

Finally, there is a penalty of £400 if you submit a paper return and you are not exempt from MTD.

Corporation Tax Return

Submit this late and you pay £100 if its 1 day late and another £100 if it's over 3 months late. After this HMRC will estimate your bill and add a 10% penalty to it. After 12 months an additional 10 % is charged.

Submit your return late 3 times in a row and the £100 becomes £500.

Construction Industry Scheme (CIS)

1 day late and you will pay £100, 2 months late you pay £200, 6-months late £300 or 5% of CIS deductions whichever is greater, 12 months late £300 or 55% of CIS deductions whichever is greater.

Late Payroll Fines

Failure to submit your Full Payment Submission (FPS) or Employer Payment Summary (EPS) and you will be charged a penalty depending on the number of employees. 1-9 employees is a £100 fine, 10-49 you will pay £200, 50-249 you pay £300 and 250 or more employees is a fine of £400.

Capital Gains Tax 30 days

You have 30 days to report and pay CGT on disposals of any second home or rental property. If you fail to meet this deadline, you will be subject to a £100 fine which rises to £300 or 5% of any tax due.

Conclusion

Running a business is complex and there are plenty of hurdles to jump and traps to fall into.

However, having a good team around you can make sure you overcome these hurdles and avoid the traps.

A good accountant will ensure you do not miss deadlines and do not incur fines and penalties – if you are regularly receiving fines then it may be time to switch.

