

New Tax Return penalties coming into effect

HMRC has issued a reminder to individuals and businesses about the new Self Assessment penalties for late returns and late payments, which come into effect this autumn. As many of these penalties are tax geared – expressed as a percentage of the tax due, they can be quite severe.

The changes will affect Self Assessment returns for 2010/11, and all future tax years. The new penalties for late Self Assessment returns are:

- an initial £100 fixed penalty, which will now apply even if there is no tax to pay, or if the tax due is paid on time;
- after 3 months, additional daily penalties of £10 per day, up to a maximum of £900;
- after 6 months, another 5% or £300 charge, whichever is greater; and
- after 12 months, another 5% or £300 charge, whichever is greater. In serious cases, the penalty after 12 months can be up to 100% of the tax due.

New penalties for paying late are 5% of the tax unpaid at:

- 30 days
- 6 months; and
- 12 months

Interest will also be charged on top of these penalties. The tax return deadline remains unchanged – 31 October for paper and 31 January for online returns. The deadline for paying any tax due also remains the same at 31 January.