



Transcript of the Learning Together HMRC Penalties for inaccuracies in documents and returns.

[The video begins.]

[A screenshot appears with the HM Revenue & Customers logo.]

[The HM Revenue & Customers logo moves to the background.]

[The words appear 'Penalties for inaccuracies in documents and returns'.]

[A male presenter speaks.]

Taking care with your tax returns

[A screenshot appears with an analogue clock, the hour hand moves continuously at speed, several small £ signs and a tax return notes page appear on screen.]

[The presenter continues to speak.]

and submitting accurate tax returns can save you time and money.

[A screenshot appears of a building with a HMRC logo.]

[The presenter continues to speak.]

There are obvious benefits for your customer,

[A screenshot appears with outlines of people approaching the HMRC building.]

[The presenter continues to speak.]

for you as an agent and us, HMRC, and we recognise that most of our customers do take care with the returns and documents they submit.

[A screenshot appears with a computer screen, non descript pages fill the computer screen.]

[The presenter continues to speak.]

HMRC aims to educate

[Computer screen is blank.]

[The presenter continues to speak.]

and support

[Outline of two people appears in front of the computer screen, the female outline has a speech bubble containing a 'question mark'. The male outline has a speech bubble containing a 'tick'.]

[The presenter continues to speak.]

those who try to comply, and wants customers to

[Outline of the two people disappear words appear on the computer screen 'Take reasonable care with their records and systems'.]

[The presenter continues to speak.]

Take reasonable care with their records and systems

[Second line appears on the computer screen 'Tell HMRC about inaccuracies without prompting'.]

[The presenter continues to speak.]

To tell HMRC about inaccuracies without prompting

[Third line appears on the computer screen 'Help HMRC put things right'.]

[The presenter continues to speak.]

Help HMRC put things right

[Screenshot appears with a fountain pen writing the word 'Perfection.].]

[The presenter speaks.]

HMRC doesn't expect perfection and knows mistakes do happen.

[An eraser appears and rubs out the word perfection.].]

[The presenter continues to speak.]

Reasonable care varies according to particular circumstances and the abilities of each customer and can include

[Screenshot appears with the words 'Taking care of records and systems'.]

[The presenter continues to speak.]

Taking care of records and systems

[Words 'Taking care of records and systems' move to the top of the screen, second line appears with words 'Acting on advice from a competent adviser'.]

[The presenter continues to speak.]

Acting on advice from a competent adviser

[Words move to the top of the screen as third line appears 'Seeking advice when dealing with something new or unfamiliar'.]

[The presenter continues to speak.]

Seeking advice when dealing with something new or unfamiliar

[Screenshot: newspaper appears with the headline 'Good news'.]

[The presenter speaks.]

The good news is that if a customer takes reasonable care with their tax records and systems,

[Several smiley faces appear to the right of the newspaper.]

[The presenter continues to speak.]

then even if an error occurs no penalty will be due.

[A screenshot appears with a document detailing 'Background information for new penalties for inaccuracies Schedule 24 Finance Act 2007'.]

[The presenter speaks.]

Finance Act 2007 (Section 97 and Schedule 24)

[Screenshot appears with a copy of the Schedule 40 legislation.]

[The presenter continues to speak.]

and Finance Act 2008 (Schedule 40) sets out how penalties will be applied for inaccuracies in information, documents and returns.

HMRC will

[Screenshot appears with the word 'Behaviours' at the top of the screen.]

[The presenter continues to speak.]

look at behaviours to

[Outline of 3 people appears on screen.]

[The presenter continues to speak.]

determine whether a penalty is due. So what do we mean by behaviours? Well when reasonable care has

[The word 'careless' appears above the outline of the first person.]

[The presenter continues to speak.]

not been taken, we are

[The word 'deliberate' appears above the outline of the second person.]

[The presenter continues to speak.]

keen to understand the behaviour

[The words 'deliberate and concealed' appears above the outline of the third person.]

[The presenter continues to speak.]

that led to the error. The behaviours that can lead to a penalty are described as careless,

[Text animation: ripple effect on the word 'careless'.]

[The presenter continues to speak.]

deliberate

[Text animation: ripple effect on the word 'deliberate'.]

[The presenter continues to speak.]

deliberate and concealed

[Text animation: ripple effect on the words 'deliberate and concealed'.]

[A Screenshot appears with the words 'Behaviours' and 'careless' at the top of the screen. Below the words is a bucket on top of a ladder. An outline of a person holding a mobile phone with a speech bubble containing the words 'blah, blah, blah' walks on screen.]

[The presenter speaks.]

A careless inaccuracy will be when an inaccurate record has been sent to us without the person taking

[The person holding the mobile phone knocks into the ladder.]

[The presenter continues to speak.]

reasonable care,

[The bucket falls off the ladder, a speech bubble with the word 'oops' appears next to the person holding the mobile phone.]

[The presenter continues to speak.]

or when an error occurs despite a person taking reasonable care

[The person continues to speak on the phone and walks off.]

[The presenter continues to speak.]

and the person fails to bring it to our attention upon discovery.

[A Screenshot appears with the words 'Behaviours' and 'deliberate' at the top of the screen. Below the words is a bucket on top of a ladder and an outline of a person.]

[The presenter speaks.]

A deliberate inaccuracy occurs when a person knowingly and intentionally

[The person walks towards the ladder and pushes the ladder.]

The presenter continues to speak.]

gives us an inaccurate document or

[The bucket falls off the ladder.]

[The presenter continues to speak.]

return, such as omitting takings. This is not just a careless mistake.

[The person walks off.]

[A Screenshot appears with the words 'Behaviours' and 'deliberate and concealed' at the top of the screen. Below the words is a bucket on top of a ladder, an outline of a person and a wall to the right.]

[The presenter speaks.]

And a deliberate and concealed inaccuracy is the most serious level of evasion

[The person walks towards the ladder, pushes the ladder and the bucket falls off.]

[The presenter continues to speak.]

It's where active steps have been taken to hide the inaccuracy

[The person takes the bucket behind the wall.]

[The presenter continues to speak.]

either before or after the document or return has been submitted.

[A Screenshot appears with a non descript HMRC form completed with eight monetary entries.]

[The presenter speaks]

Where a document contains more than one inaccuracy,

[A Screenshot appears with a non descript HMRC form completed with eight different monetary entries.]

[The presenter continues to speak.]

a penalty will be charged for each one.

[A screenshot appears with a non-descript HMRC form completed with eight different monetary entries. Three of the entries are circled in red.]

[The presenter continues to speak.]

That is unless the inaccuracies can be grouped together as one.

[A screenshot appears with the words 'The way HMRC finds out about an error influences the penalty'.]

[The presenter speaks.]

The way HMRC finds out about an error influences the penalty.

[The words appear on screen 'Disclosures can be prompted or unprompted.']

[The presenter continues to speak.]

Disclosures can be prompted or unprompted.

[A screenshot appears, on the left is the HMRC logo with an outline of a person standing under it, to the right is the outline of another person, the customer.]

[The presenter speaks.]

If a customer tells HMRC

[The customer has a speech bubble containing the words 'without prompting'.]

[The presenter continues to speak.]

and has no reason to believe that HMRC has

[A second speech bubble containing the word 'errors' appear next to the customer.]

[The presenter continues to speak.]

or is about to discover the error then either no penalty

[A third speech bubble containing the word 'mistakes' appear next to the customer.]

[The presenter continues to speak.]

or a reduced penalty will be charged.

[A fourth speech bubble containing the word 'oops' appear next to the customer.]

[The presenter continues to speak.]

A penalty can also be reduced if it is unprompted through consideration of the quality of the person's disclosure.

[A screenshot appears with the title heading 'Penalty calculations and reductions'. The amount £95 is shown with a downward arrow to the right.]

[The presenter speaks.]

Let's now take a look at the penalty calculation.

[The amount of £95 decreases in number. The arrow bounces up and down as the £ amount decreases.]

[The presenter continues to speak.]

As mentioned earlier penalties address the behaviour that led to the inaccuracy. Within each penalty range, whether prompted or unprompted, reductions are available for the quality of disclosure. Reductions can be received by

[A screenshot appears with the words 'Telling HMRC about the inaccuracy'.]

[The presenter continues to speak.]

Telling HMRC about the inaccuracy

[Words move to the top of the screen, a new line appears with the words 'Helping HMRC to quantify the inaccuracy'.]

[The presenter continues to speak.]

Helping HMRC to quantify the inaccuracy or

[Words move to the top of the screen, a new line of words appear 'Giving HMRC access to their records'.]

[The presenter continues to speak.]

Giving HMRC access to their records and it will be dependent on the

[New line appears with the words 'Timing of the disclosure'.]

[The presenter continues to speak.]

Timing of the disclosure

[New line appears with the words 'Nature of the disclosure'.]

[The presenter continues to speak.]

The nature of the disclosure

[New line appears with the words 'And extent of the quality of disclosure']

[The presenter continues to speak.]

and the extent of the quality of disclosure.

[A screenshot appears with a thermometer and a percentage amount increasing from 0%.]

[The presenter speaks.]

The penalty calculation

[The temperature thermometer rises to the top and the percentage amount increases to 100%.]

[The presenter continues to speak.]

can range from no penalty to a maximum of 100%. The maximum penalty can be reduced and allowed against the particular penalty range for quality of disclosure taking into account all the circumstances, including:-

[A screenshot appears with the words 'Up to 30% for telling HMRC'.]

[The presenter speaks.]

Up to 30% for telling HMRC about the inaccuracy

[A screenshot appears with the words 'Up to 40% for helping HMRC'.]

[The presenter speaks.]

Up to 40% for helping HMRC to quantify the inaccuracy

[A screenshot appears with the words 'Up to 30% for giving HMRC'.]

[The presenter speaks.]

And up to 30% for giving HMRC access to the business records

[A screenshot appears with the title 'Penalty calculation' and the words 'Potential lost revenue: £100,000'. A graph appears on graph paper'.]

[The presenter speaks.]

Penalties will be calculated as a percentage of the potential lost revenue that is the additional tax due to HMRC

[The graph builds up to show the different penalty percentage ranges for unprompted and prompted disclosure.]

[The presenter continues to speak.]

So let's look at a typical example

[The graph zooms in to show the graph information for unprompted disclosure, with the words 'Min 0%' and 'Max 30%'.]

[The presenter continues to speak.]

An inaccuracy has given rise to a potential loss of revenue of £100,000. The behaviour that led to the inaccuracy

[The word 'careless' appears, 'careless' is circled in red.]

[The presenter continues to speak.]

is judged to be careless and the disclosure of the inaccuracy was unprompted.

[A green up-down arrow appears next to the unprompted box showing min 0%, Max £30%.]

[The presenter continues to speak.]

This gives a penalty range from 0 per cent to 30 per cent, so deducting the minimum from the maximum gives the maximum disclosure reduction, which in this case is 30 per cent.

[The words 'Quality of disclosure' appear.]

[The presenter continues to speak.]

The quality of the disclosure

[The words 'reduction: 100%' appear.]

[The presenter continues to speak.]

has been agreed at 100 per cent. This is because the customer received the maximum reduction for telling, helping and giving. So

[The words '100% of 30% = 30%' appear.]

[The presenter continues to speak.]

multiplying the maximum disclosure reduction possible, which is 30 per cent by the 100 per cent quality of disclosure reduction rate, gives the actual percentage for disclosure reduction - which is 30 per cent.

[The words '30% - 30% = nil' appear.]

[The presenter continues to speak.]

Now to work out the actual penalty to be charged take the 30 per cent reduction from the maximum penalty chargeable, this is 30 per cent for a careless inaccuracy, and this gives a final percentage to be charged of nil.

So there would be no penalty charged in this case. Even though this customer has been deemed careless, by disclosing the inaccuracy fully and without prompting, no penalty would be charged.

[A screenshot appears, on the left is the HMRC logo with an outline of a person standing next to it, to the right is the outline of another person, the customer.]

[The presenter speaks.]

In this short presentation we're not able to cover everything you need to know

[The outline of the person standing next to the HMRC logo has a speech bubble containing the word 'yes'. The outline of the customer has a speech bubble containing '???']

[The presenter continues to speak.]

about 'Penalties for Inaccuracies in Information, Documents and Returns'. But if you require further information on the subject then why not visit

[A screenshot appears with HMRC logo and web page addresses.]

[The presenter continues to speak.]

our web pages at <http://www.hmrc.gov.uk/agents/compliance/index.htm> and there you'll find written guidance.

You can also watch a more detailed presentation on these penalties on HMRC's YouTube Channel.

For information about our Agent Account Managers services, other learning products and the support we can offer agents and accountants please visit:

<http://www.hmrc.gov.uk/agents/aam.htm>