



HM Revenue
& Customs

Behaviour, Insight and Research Team

Research report 568

Exploring communication needs of customers for the implementation of changes to Late Payment and Late Submission Penalties

A qualitative research project exploring customer preferences for how potential changes to Self Assessment and VAT penalty regimes are communicated

November 2019

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Published by HM Revenue and Customs, March 2020
www.hmrc.gov.uk

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1. Executive Summary

HM Revenue and Customs (HMRC) is considering changing the system for issuing penalties for late submissions and late payments of Value Added Tax (VAT) and Income Tax Self Assessment (ITSA), in order to simplify penalties across taxes, promote fairness, and encourage compliance. Under the potential changes:

- The late submissions penalty regime would be points-based.
- The late payment penalty regime would involve different charges depending on the lateness of the payment.

This qualitative research sought to explore the best ways for communicating the potential changes to VAT and ITSA customers, including appropriate channels. Customers were shown different versions of written and visual draft communications during the research. Visual communications explained the potential changes through diagrams and infographics, and some variations also included accompanying text.

This research was conducted in response to the Budget 2018 announcement of reviewing the communications needed for penalty reform implementation and before any final decisions were taken on penalty reform.

Penalty communications: Overall preferences and concerns

When they were first shown the communications, customers generally found them complex to understand. Understanding of the regimes improved as they were exposed to additional information and as they discussed the communication materials, customers identified certain formats and structures that best facilitated their understanding of the regimes:

- Customers preferred the communications that set out the penalties step-by-step, as they clearly showed how customers might be affected by the penalties as time progressed.
- Customers preferred to have less detailed information about the penalties regimes, unless this was directly relevant to their situation. Once it became relevant, they were more likely to want further detail. Additionally, they only wanted to see how changes applied to their own filing requirements; for example annual filers only wanted to see annual examples.
- Customers who were more financially literate, or had more interaction with HMRC, were generally more comfortable with the concepts. Less engaged groups were those who relied on agents, who felt their agent would keep them informed of what they needed to know, and those who had never received a fine in the past. This latter group questioned why the penalty communication was relevant to them, as they had no intention of being late in the future.

- Customers suggested some additional information would be needed to encourage them to engage fully with the materials. This included information on the current penalty regime and the reasons for making the changes. Customers also wanted to have the option of accessing more detailed information online.
- Customers pointed out that a range of new language was being used across the draft communications materials. To support their understanding, they felt it was important that all terms were clearly defined up front, and used consistently throughout.
- Customers found the written GOV.UK style guidance to be the most helpful, and preferred this stimulus above all others. They valued this communication as it set out the changes clearly in written form, demonstrating how they could avoid a penalty.
- Customers found a visual approach appealing in theory, as the graphics appeared to be more welcoming and helped to deformatise the topic. However, the visual examples required contextualisation to help customers to fully understand them. Customers felt that visuals could be used to enhance their understanding, if they were structured chronologically and clearly labelled.

Communication preferences

Customers preferred to have less detailed information about the penalties regimes *until the regimes became relevant to their situation*. They did, however, recognise that they would need to engage with more detailed information about the regimes at a later date if they were at risk of, or had incurred, a penalty. In this way, customers' appetite for detail would increase as the rollout progressed, as shown through the key stages of the rollout below:

- **Announcing the changes:** Customers required minimal information at this stage. They felt that a high-level overview of what the penalties would look like, and when the regime would be 'live' would be sufficient, and anticipated needing three to six months' notice of the changes being launched. They thought that a combination of a wider advertising campaign to provide exposure and a 'hook' and targeted letters would be appropriate. Customers felt that communications should have a balanced tone in order to focus attention, whilst avoiding causing alarm.
- **Introducing/implementing the changes:** Customers said they would welcome more detail at this stage, with a step-by-step explanation of how the regimes would work. They expected a letter including a link to GOV.UK for further information. Again, they felt that a balanced tone was important: soft and conciliatory, particularly for those who had never received a fine, but also clear and to the point.
- **Informing customers of a penalty:** Customers wanted to be kept informed of any penalties by HMRC, preferring a letter to convey the seriousness of receiving a penalty. Those using the Business or Personal Tax Account (BTA, PTA) expected to receive push notifications via text or email to alert them of any messages relating to penalties. Again, they felt communications should have a balanced tone, with

customers feeling it was important HMRC focused on supporting customers to avoid or minimise penalties.

Where customers anticipated needing support to understand the changes and how they applied to their own situation, they wanted HMRC to clearly signpost this on any communications about the changes. The preferred source of the support varied:

- Those who were reliant on their agents would likely turn to them.
- The less digitally confident expressed a preference for telephone support.
- Those who were comfortable managing their affairs online would be happy to receive support from HMRC via webchat.

2. Introduction

2.1 Background

HMRC is considering changing the system for issuing penalties for late submissions and late payments, in order to simplify penalties across taxes, promote fairness, and encourage compliance. Under the potential changes:

- The late submissions penalty regime would be points-based.
- The late payment penalty regime would involve different charges depending on the lateness of the payment.

These two new penalty regimes will be applied to Income Tax Self Assessment (ITSA) and VAT late filing and late payments. As the changes will affect a large customer base, there will be a period of familiarisation before the regimes are fully implemented.

This research was conducted in response to the Budget 2018 announcement of reviewing the communications needed for penalty reform implementation and before any final decisions were taken on penalty reform.

2.2 Research Aims

HMRC wishes to maximise awareness and understanding of the two new regimes during the familiarisation period. The aim of this research was to explore the best ways of communicating the changes to customers during this period.

The objectives of the research were to:

- 1) Explore customer perceptions of the new penalties to inform communications:
 - a) Identify any concerns that customers may have about the penalties, which could be addressed through communications.
 - b) Identify priorities for future communication of the new penalties.
- 2) Test infographics and guidance designed by HMRC to assess customer understanding of the penalties:
 - a) Identify customer needs from tools and guidance such as supporting material, including the needs of any specific customer sub-groups;
 - b) Identify appropriate channels for raising awareness of the new penalties;
 - c) Identify appropriate timing for raising awareness of the new penalties, for example based around the timing of the launch of the new penalties or customers' own ITSA/VAT routines or any other factors;
 - d) Identify customer preferences for presentation of the new penalties.

2.3 Method

Fieldwork consisted of six focus groups and 18 face-to-face depth interviews across three locations (Birmingham, London, and Manchester). Ipsos MORI, an independent research agency commissioned by HMRC, tested six pieces of draft communications – two for late submission, three for late payment, and one covering both. The format of the communications varied (some were more visual and others more text based). The communications were rotated across the depths and groups to manage the ‘order effect’.¹

2.3.1 Sample

Across the 18 depth interviews and six focus groups, the sample consisted of individuals with varying characteristics. A breakdown of these is listed in the Appendix. Quotas were set on:

- Customer type (ITSA, VAT, and both ITSA and VAT).
- Business size (self-employed or landlord, 1-9, 10-49, and 50-249 employees).
- Business sector.
- Whether customers had received a late submission or late payment penalty (depths only).

In addition, other characteristics were monitored to ensure a good mix across the research. These characteristics were: agent use, digital capability, age, gender and ethnicity.

2.3.2 Fieldwork

The research was undertaken by the Employment, Welfare and Skills (EWS) team within Ipsos MORI’s Social Research Institute. Fieldwork took place during 3-14 June 2019.

2.3.3 Reporting notes

Qualitative approaches are used to explore the nuances and diversity of views, the factors which shape or underlie them, and the ideas and situations in which views can change. The results are intended to be illustrative, not statistically representative.

Verbatim comments have been included in this report to illustrate and highlight key points and common themes. Where verbatim quotes are used, they have been anonymised and attributed with the data collection method (focus group or interview) and location (Birmingham, London, or Manchester).

¹ Generally speaking, the more information participants see, the better their understanding becomes. However, participants’ understanding can also be affected by the first communication they are exposed to – if they find the first communication engaging, they are able to understand subsequent communications. Conversely, if they find the first communication confusing, then the confusion is more likely to remain throughout.

3. Findings

3.1 Penalty communications: Overall preferences and concerns

Overall, when customers were first shown the visual and written draft communications, they found them to be relatively complex and needed support to understand them. This was the case regardless of which visual representation of the regimes was shown first. However, customers were better able to understand the concepts when they read the written GOV.UK style guidance first (Section 3.1.1). Understanding of the regimes improved through exposure to additional information and the more they discussed the regimes. However, the complexity of the communications led to some customers misunderstanding the key elements. For example, some customers initially had difficulty understanding that there were *two separate and distinct penalty regimes*: one for late filing and one for late payment. Customers who did not understand the distinction thought that the late payment penalty applied if they did not pay their fine on time for filing late. Those who were unclear initially, eventually understood they were separate regimes, through further discussion of the materials.

This example illustrates how *a lack of full engagement with the materials* could lead to confusion, rather than being a result of a specific aspect of the guidance. There is a risk that customers might not understand that there are two separate penalty regimes, which needs to be made explicit in any communications. This suggests that some customers will require more support to understand the regimes, in the form of explanation of the context, support to understand the detail of the regimes, and alternative formats such as visual or step-by-step approaches to communicating the regimes. In this sense, the format and structure of the communication, as well as personalisation, were key to supporting customers' understanding and engagement with the concepts.

3.1.1 Format of the communications

Customers who saw written guidance before any visual guidance were better able to understand the proposed changes. Likewise, where customers were confused having seen the visual graphics initially, their understanding improved once they had seen the written guidance. Customers preferred communications that were concisely worded and used simple language, as this appeared less intimidating and more straightforward to understand.

Customers found a visual approach appealing in theory, as the graphics appeared to be more welcoming and helped to deformatise the topic, but the visual examples lacked sufficient contextual information to support understanding when they were shown in isolation (without the written guidance).

“If you had [visual communication] on its own, you just wouldn’t get it. You’d have to have [the written GOV.UK style guidance] first to really understand what’s going on. You need both.”

London, depth

Customers valued information that set out the ‘rules’ in written form, demonstrating clearly how they could avoid the risk of a penalty. Although the visual communications met these

needs to some extent, the lack of context and resulting difficulty with interpretation meant that customers often preferred the written GOV.UK style guidance.

3.1.2 Structure of the communications

Whether visual or written, customers were better able to engage with communications that set out the penalty regimes step-by-step, clearly showing a linear progression. The communications that made this easiest set out the process in simple, chronological steps, showing how a customer's liability for a penalty would change as time progressed.

Examples were valuable to help customers to understand the regime using a scenario. When they encountered difficulties with interpretation, participants returned to examples to provide clarity. The examples that best aided understanding were those that were personally relevant to the individual customer, in that they matched their filing frequency.

3.1.3 Personalising the communications

Participants who had always submitted and paid their taxes on time had less interest in the full detail of the penalties regime. They were keen to understand when they might be at risk of receiving a penalty, and how they could best avoid this, but lacked interest in understanding the overall regime, beyond what applied to them as individuals. As such, they were less likely to engage with more detailed communications about the regimes, and found them to be complex and difficult to understand. Across the interviews and focus groups, this tended to result in a 'switch-off factor', causing people to disengage from the materials.

To improve the communications, customers only wanted to see information that was relevant to their individual filing requirements. For example, those completing quarterly VAT returns only wanted to see communications that explained how quarterly penalties for late filing would work. They did not need or want to understand how the regime would apply to those liable for ITSA, or those who filed on a different frequency. They felt that this information was extraneous and added to the perceived complexity of the communications.

3.1.4 Differences by customer groups

All groups had a preference for communications that were relevant, simple, and logically structured. Beyond this, the following characteristics appeared to have a bearing on customers' ability to engage with and understand the communication materials:

- **ITSA, VAT, or those who file both ITSA and VAT:** There were no real differences by tax liability, other than a preference for communications about the penalty regimes to be tailored to the frequency of individual customers' filing habits. Customers did not want to see details relevant to the filing requirements for other customers as they felt this overcomplicated the communications.
- **Financial literacy:** Customers who were more financially literate and used to engaging with financial topics were more comfortable interpreting the stimulus. These were

customers who had more regular interaction with HMRC or were less reliant on their agents for tax matters.

- **Reliance on agents:** Customers who struggled to understand the concepts and were more reliant on their agents could be less engaged with the materials. These customers expected that their agent would keep them informed of any changes and, where their agent was responsible for filing, assumed they would not be late submitting in the first place.
- **Previous behaviour:** Customers who had not received fines in the past, or had not come close to paying or filing late were less likely to engage with the proposed changes, or more likely to question why they should engage. These customers felt they did not need to know about the changes, as they had no intention of incurring a penalty. Correspondingly, those who had received fines in the past, or who had come close to filing or paying late, were more inclined to take an interest in the detail of the changes.

“Why do I need to know all this? I’ve run a business for 20 years and have never been late, and I don’t intend to start now.”

Manchester, depth

3.2 Reactions to the penalty communications

Research participants were shown stimulus to illustrate the penalties regimes. Some of the stimulus was entirely word-based (in the form of GOV.UK guidance) and other materials were almost entirely visual. There were also formats that combined visual and written stimulus in a variety of ways.

3.2.1 Late submission communications

Customers generally found the materials explaining the late submission penalty regime easier to engage with than those relating to the late payment regime. For future communications on the late submission regime, the following aspects were important:

- **Driving license analogy:** Under the potential changes, the late submissions penalty regime would be points-based. As this would represent a shift away from the old system, customers found it helpful to explain the new regime by likening it to accumulating points on their driving license. Framing the regime in this way helped these customers to better conceptualise the potential changes.
- **Consistent language:** Customers pointed out that across the draft communication materials, various terms were used: ‘points’, ‘penalties’ and ‘penalty points’. It was important that any terms were clearly defined up-front, and were used consistently throughout.
- **Visual formats showing chronological steps:** Stimulus materials that set out the late submission penalties in a step-by-step way helped to provide an indication of how points could be accumulated over time. These were helpful when shown in conjunction with the explanation provided in the written GOV.UK style guidance.

- **Context and explanation:** Customers looked for additional information to be able break down the barriers to engaging with the materials:
 - *What the current system was for late submission* – as customers were generally compliant, not all were sure what the current penalty regime was. They questioned how the two systems differed and there was appetite to briefly include this when communicating the proposed changes.
 - *Why the changes were being made* – these customers wanted the initial communications to clearly explain why the regime would be changing and to highlight any improvements as a result of the changes.
 - *The option to search for more detailed information online* – customers generally had a low tolerance for detail but also asked questions about very specific scenarios involving late submissions and the penalty regime. Whilst this was likely to be a product of the artificial group and interview environment, it also indicated that some customers may have more of an appetite for accessing a more rounded, detailed picture of the potential regimes. This need would be best met with an optional source of further information (online), rather than in the initial communications, so as not to overwhelm customers with detail.

3.2.2 Reactions to the late payment communications

Customers found the communications tested for the late payment regime more difficult to understand than the late submission regime, regardless of their financial literacy. Across the interviews and focus groups, it was unclear whether customers had fully understood all of the different charges they might incur at each point.

“If you asked me about this, and I concentrated hard, I wouldn’t know what to do. It’s very technical, it’s for an accountant, really.”

Manchester, group

As with the late submission stimulus, customers preferred formats that provided a step-by-step, chronological description of how penalties would be applied over time. Although the written GOV.UK style guidance was preferred overall, some were also positive about key elements of the visual guidance, and also valued the friendly tone suggested by a visual format. Visual stimulus tended to be more helpful when contextualised by written guidance.

“I prefer this one, it explains it clearly, step-by-step. The words are more helpful than the graphics.”

London, group

Customers noted that various terms were used to describe the changes, including ‘interest’, ‘charge’, ‘APR (annual percentage rate)’ and ‘penalty’. It was important that any terms were

clearly defined up front, and were used consistently throughout. This was particularly important for ‘interest’, as customers used the term interchangeably to describe various penalty charges as well as the standard late payment interest.

3.3 Communication preferences

Customers preferred to receive detailed information on the penalties only when it had become relevant to their situation. They recognised that they would need to engage with the changes at a later date if they were at risk of, or had incurred, a penalty. Their appetite for detail increased as the rollout progressed through the following stages:

Stage of the rollout	Level of detail
Announcing the changes	Desire for very basic information only.
Introducing the changes	Willingness to engage with more detailed guidance, especially those with more personal interest, for example those who had received a penalty in the past.
Implementing the changes	
Notifying customers of any penalties incurred	Desire for detailed information about what they needed to do, next steps, and a personalised record of the penalties
Keeping a record of any penalties incurred	

3.3.1 Communication preferences: announcing the changes

At this stage of the rollout, customers wanted minimal information. They felt that a simple announcement, giving a high-level overview of why and when individuals would incur penalties would suffice, as well as details on when the regime would go live. Customers wanted to be aware of the changes around three to six months in advance, to give them time to digest the information. They felt that there should be the option to look into specific elements in more detail online for those who wanted to do so.

Customers felt that an effective way to raise awareness of the changes would be a combination of a wider advertising campaign, and targeted letters. Customers felt that a multi-channel advertising campaign would provide both wide exposure and a ‘hook’ for customers to find out more information. A personally addressed letter, meanwhile, was seen as a familiar format for HMRC announcements, and would not be ignored.

“I’d go for a campaign and a letter, but it needs to be encouraging, not threatening. Not too softly, softly, because tax is important, but you don’t want to get people’s backs up who pay on time.”

Manchester, depth

As shown above, customers felt it was important that the initial announcements struck the right tone. This needed to be balanced: sufficiently strident to focus attention on what they accepted was an important topic – even if those who had never received a penalty did not always feel it was directly relevant to them – whilst avoiding creating worry or alarm.

3.3.2 Communication preferences: introducing and implementing the changes

Customers wanted more detailed guidance at this stage, consisting of a step-by-step explanation of how the regimes would work, including illustrative examples. Customers responded positively to the examples provided on the written GOV.UK style guidance, as they helped them to understand how penalties might be applied.

They felt that a letter or leaflet would be an appropriate way to announce that the changes were live, and felt the letter should include a link to written guidance online (GOV.UK) to access further details. Customers who were more reliant on their agents would approach them if they had any questions, or even expected their agents to proactively reach out about the changes. Customers felt that the tone of these communications should be soft and conciliatory, but also clear and to the point, focusing on the give and take between customer and HMRC.

“I’d prefer them to encourage you not to be late, and be direct if you are. If you’re running a business, the last thing on your mind is working all this out. Just tell us we’re not on time and this is how much you owe.”

Birmingham, group

The tone of the communications was particularly important for customers who had never filed or paid late in the past, who had the potential to feel affronted by communications with a punitive tone. These customers felt that communications should be personalised and acknowledge that HMRC was aware that the customer always paid their taxes and filed on time, and that this was just a letter to inform them of changes to the penalties regimes.

3.3.3 Communication preferences: informing customers of a penalty

There was a clear need for customers to be kept informed by HMRC of any penalties they had incurred. Customers felt that a letter from HMRC would be effective in conveying the seriousness of incurring a penalty and those who used their Personal Tax Account (PTA) or Business Tax Account (BTA) wanted to receive push notifications via email or text to prompt them to check their account for details of any penalties they had incurred.

Customers again wanted the communications to have a balanced tone: conveying the seriousness of incurring a penalty, whilst avoiding being overly penalising. Customers responded particularly positively to the communication materials that prompted them to get in touch with HMRC if they felt they could not pay or file on time, and felt that any communications informing them of penalties they had incurred should have a similar focus on how to get help from HMRC.

“They make a concerted effort to say, ‘don’t bury your head in the sand, you should contact us’. This bit about getting in touch and communicating – ‘if you get in touch with us, you won’t get fined’. That bit should be more prominent – all you’ve got to do is get in touch with us.”

London, group

Participants were keen to receive frequent and detailed information about their own penalties, with some saying they were happy to be reminded daily of any unpaid charges resulting from a late payment or submission. Customers felt that the onus should be on HMRC to keep them informed of both current and past penalties. They wanted to be able to access a complete historical record of penalties they had incurred – on the PTA, BTA, or included on related letters from HMRC, such as including letters informing them of new penalties, or deadline reminders.

3.3.4 Communication preferences: customer support

Customers thought that they might need support to better understand the penalties at various stages of the rollout:

- Once the penalties were introduced;
- When they found out they were at risk of receiving a penalty; and
- When they had incurred a penalty.

Customers wanted HMRC communications about the changes to clearly signpost where they could go to access support if they required it. Needing to know they had a source of information and advice that could reassure them was important, particularly amongst customers who found the communications complex or difficult to understand. Customers had varying preferences for this support:

- Those who were reliant on their **agents** would likely turn to them;
- The **less digitally confident** expressed a preference for telephone support; and
- Those who were **comfortable managing their affairs online** would be happy to receive support from HMRC via webchat.

4. Appendix

4.1 Sample breakdown

Across the 18 depth interviews, the sample consisted of individuals with varying characteristics. A full breakdown of these is listed below, including which quotas were put into place and what numbers were achieved:

Characteristic	Description	Quota	Completed
Customer type	ITSA	6	6
	VAT	6	6
	ITSA and VAT	6	6
Size	Self-employed (SE) / Landlord (0 employees)	6 (min. 2 each of SE and Landlord)	SE – 4 Landlord – 2
	Micro business (1 to 9 employees)	6 (aim for 3 each)	5
	Small businesses (10 to 49 employees)		3
	Mid-sized business (50-249 employees)	6	4
Sector	Monitored to include a wide range of sectors		
Received a penalty for late payment/filing	Yes	Max. 6	4
Agent use	Yes	Mix/monitor	17
	No		1
Digital capability	Monitored to include a range of capability		
Age	Monitored to include a range of ages		
Gender	Monitored to include a range according to self-identification (female, male, other, prefer not to say)		
Ethnicity	Monitored to include a mix of ethnicities		

Similarly, the six focus groups included a varied mix of individuals:

Customer type	No	Mix and monitor across the groups
SA only customers (self-employed individuals, landlords)	2	Size: as per descriptions Sector: Good mix of sectors within each group Demographics: age, gender, ethnicity Digital capability: comfortable and digitally assisted Agent use: those who do and do not use an agent
SA and VAT customers (likely to be self-employed, landlords, small businesses)	2	
VAT customers (likely to be small and mid-size businesses)	2	

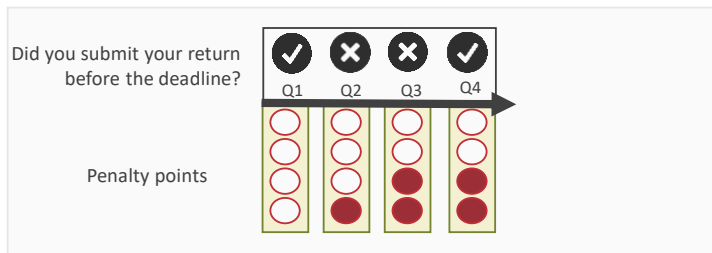
4.2 Late submission and late payment penalty stimulus

The following pages contain the different draft communications that were shown to customers during the research.

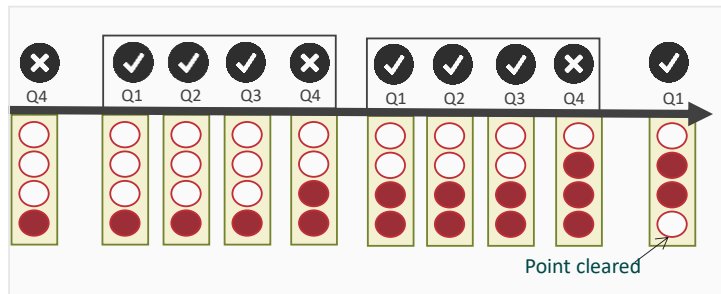
4.2.1 Late submission penalty point design

Late Submission Penalties – quarterly filing

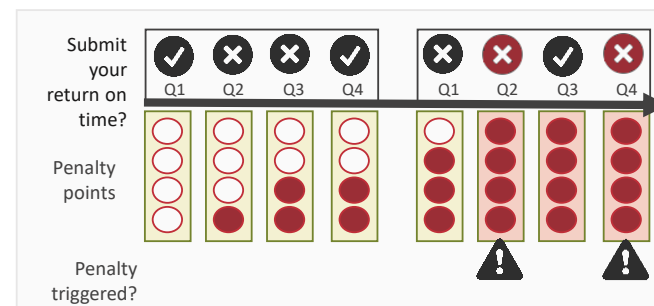
You get a penalty point each time you file late



If you have not reached your point limit, a point clears automatically after 2 years



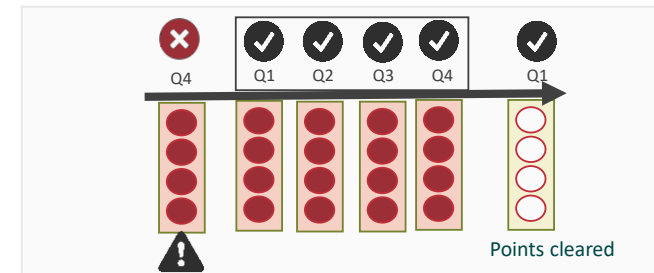
You get a penalty once you reached your point limit



If you have reached your point limit, to clear your point:

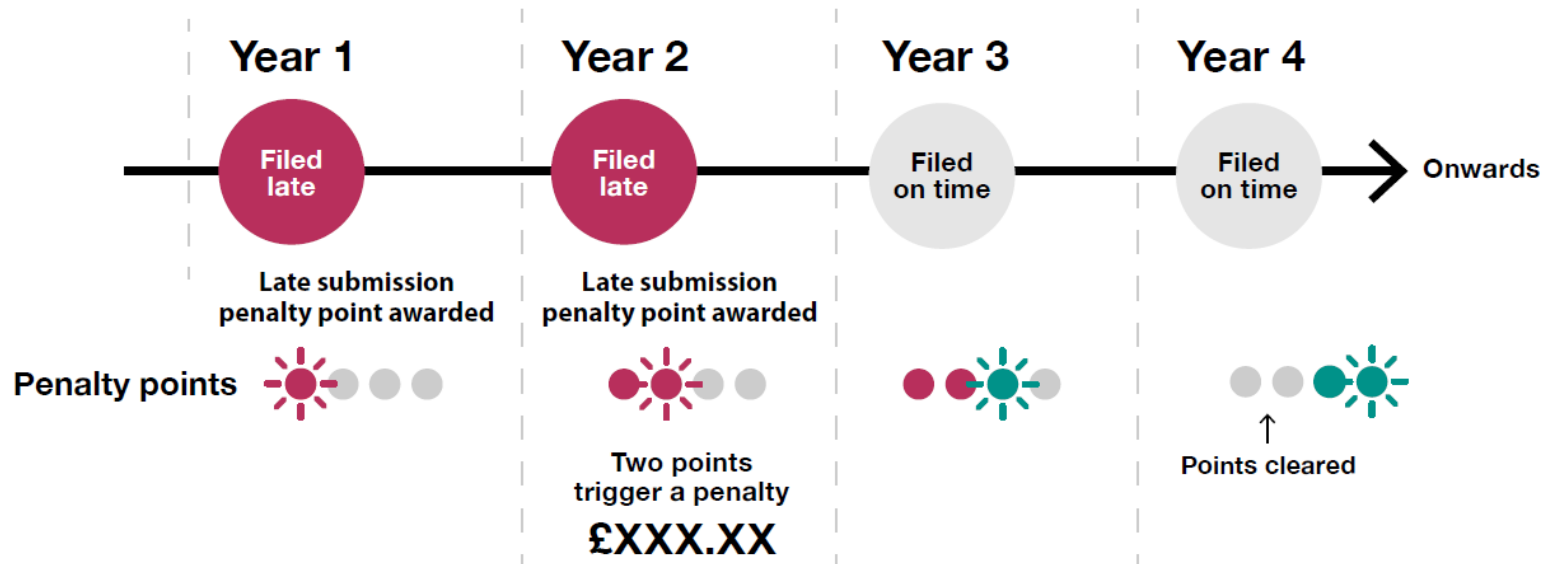
- Submit your returns on time for 1 year
- Submit any missing returns from the previous 2 years

This is the only way to clear your points, once you reached your point limit



4.2.2 Late submission penalty process design (page 1)

Late submission penalty – annual returns



● ● Penalty threshold
● ● Two points trigger a penalty
£XXX.XX

You can clear your points by:

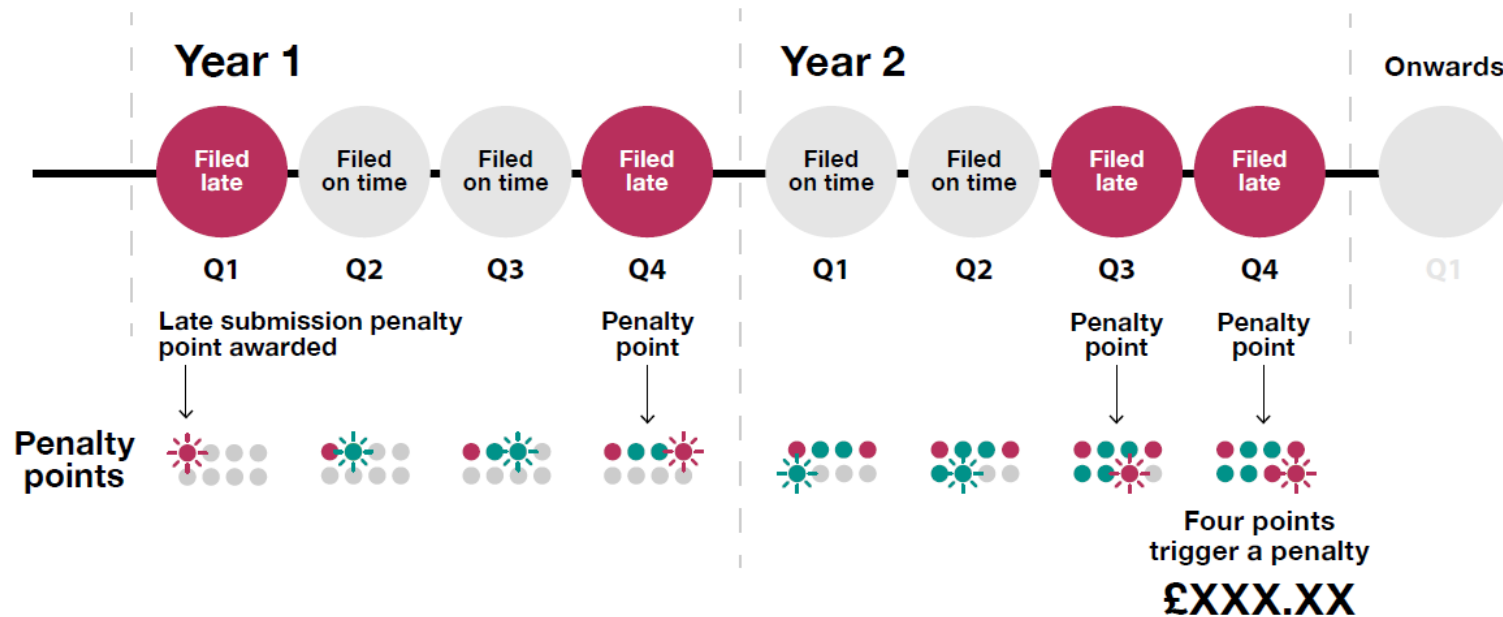
- Submitting all missed returns
- Submitting the next two returns on time

Point expiry:

- Points expire after two years – unless you're already at the points threshold

4.2.3 Late submission penalty process design (page 2)

Late submission penalty – quarterly returns



Penalty threshold
Four points trigger a penalty
£XXX.XX


You can clear your points by:

- Submitting all missed returns
- Submitting the next 4 returns on time

Point expiry:

- Points expire after two years – unless you're already at the points threshold

4.2.4 Late submission and late payment penalty GOV.UK guidance



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Guidance

Points and penalties for Self Assessment and VAT

When and how HMRC applies penalty points and penalties, and how interest is charged if you submit late returns or payments.

From: [HM Revenue & Customs](#)

Contents

- [Penalty points if you submit returns late](#)
- [How to clear your points](#)
- [Points totals for Self Assessment and VAT](#)
- [Penalties if you pay late](#)
- [Appeal your points or penalties](#)

From [date], you'll get:

- one point each time you [submit your Self Assessment or VAT return late](#)
- a penalty each time you [pay your Self Assessment or VAT bill late](#)

You'll have a limit of how many points you can receive before you have to pay a penalty. This limit will depend on [how often you send your returns](#). If you reach the limit, you'll have to pay a penalty.

If you pay late you'll get a penalty. The sooner you pay what you owe, the less you'll have to pay in penalties.

Penalty points if you submit returns late

Points only apply to returns that you submit monthly, quarterly or annually. They do not apply to returns that you submit occasionally, like for a one-off transaction – for these, [other rules](#) apply.

If you do not send your Self Assessment tax return or VAT Return, or you send it after the deadline, you'll get one point. HMRC will tell you the point has been added to your record.

Points limits

Your points limit depends on how often you send returns. When you reach your points limit, you'll get a penalty.

How often you send returns	Points limit
Annual	2
Quarterly	4
Monthly	5

If you need to change how often you send your returns, your points will be adjusted and you'll get a new points limit.

How to clear your points

If you do not reach your points limit

If you submit all outstanding returns on time, each point will be cleared 2 years after you received it. For example, if you submit returns annually and you file late in year one but you file on time in years 2 and 3, your point will be cleared.

If you reach your points limit, your points will not be cleared and you'll get a penalty. You'll continue to get penalties for any further late returns. For example, if you submit returns annually and you file late in year one, on time in year 2 and late in year 3, your first point will not be cleared and you'll get a penalty.

If you reach your points limit

You'll get a penalty and your points will only clear if you submit all outstanding returns and file your returns on time for a continuous period.

How long this is will depend on how often you file your returns.

If you file your returns:

- annually, you need to submit 2 returns in a row on time – so all your points will clear after 2 years
- quarterly, you need to submit 4 returns in a row on time – so all your points will clear after one year
- monthly, you need to submit 6 returns in a row on time – so all your points will clear after 6 months

Points totals for Self Assessment and VAT

If you usually send both Self Assessment and VAT returns and they're both late, you'll get a point for each. The points will apply to 2 different totals:

- one for Self Assessment
- one for VAT

If you send multiple returns for more than one business, each business will have a separate points total.

Penalties if you pay late

You will not have to pay a penalty if you pay what you owe, or [set up a payment plan](#), within 15 days of the payment being due. But you will have to pay standard late payment interest on the amount outstanding until you pay in full.

If you have not paid what you owe or set up a payment plan within:

- 15 days, you'll have to pay a penalty plus standard late payment interest
- 30 days, you'll have to pay a higher penalty, plus standard late payment interest

You can [get an estimate of how much you'll need to pay in penalties and interest](#) using the online calculator.

If you cannot pay you may be able to limit the amount of penalty you have to pay by [setting up a payment plan or contacting the Business Payment Support service](#) within 15 days.

Appeal your points or penalties

You can challenge HMRC's decision to give you a point or penalty. You can appeal online through your business tax account.

You can [appeal to a tribunal](#) if you disagree with the outcome.

Is this page useful? [Yes](#) [No](#)

[Is there anything wrong with this page?](#)

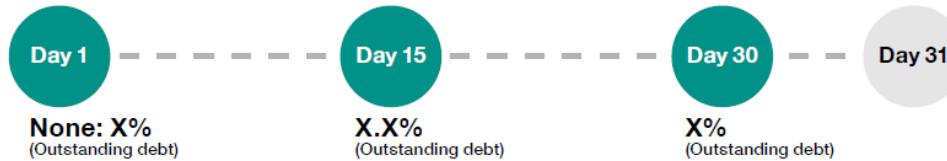
4.2.5 Late payment penalty process design

Late payment penalties

Late payment interest

If you don't pay your taxes on time, you'll have to pay a standard late payment interest on any amount outstanding from the tax due date until the payment is made in full.

Charge 1



Charge 2

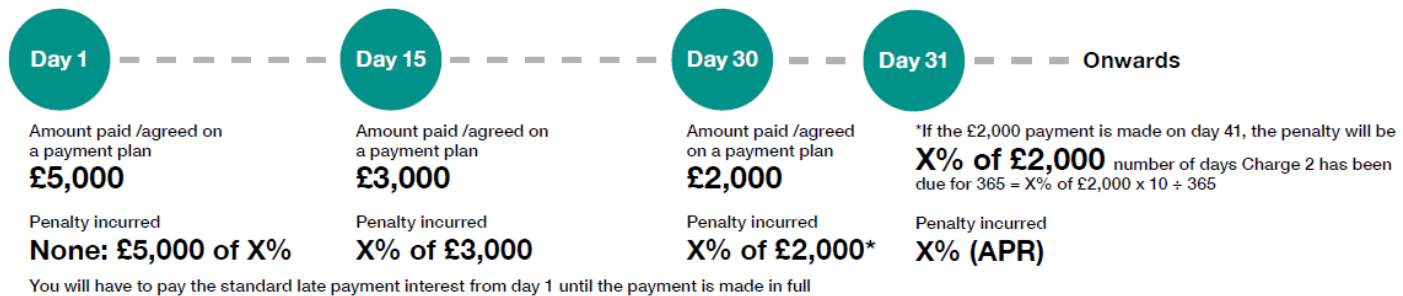
An outstanding balance will incur a second charge on day 31.



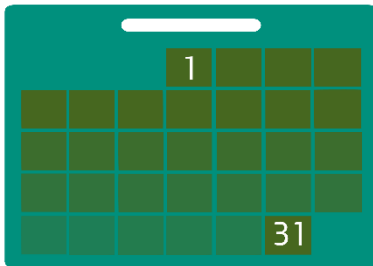
Charge 2 is much lower than charge 1. Because this is an APR, the longer you wait to pay, the higher will be the 2nd charge.

Example

A customer has an outstanding debt of £10,000 and paying it off over different periods will look like this:

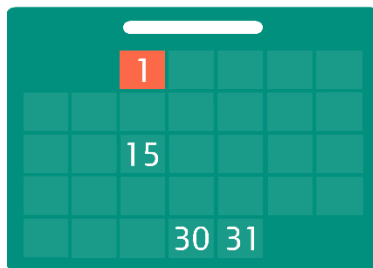


4.2.6 Late payment penalty calendar graphic

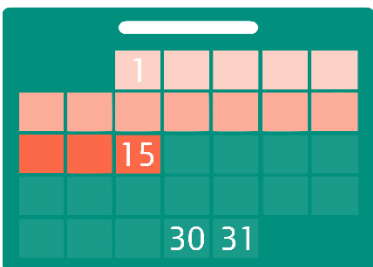


If you pay before or by the deadline you will not receive a penalty.

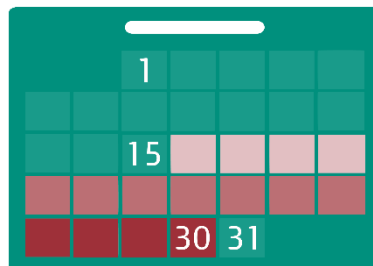
1. You will receive a payment notice informing you of the amount you need to pay and the latest day you can pay (In this example, the deadline is the 31st)
2. If you anticipate any problem to pay, do not wait for the deadline and contact HMRC directly; we may be able to help you.



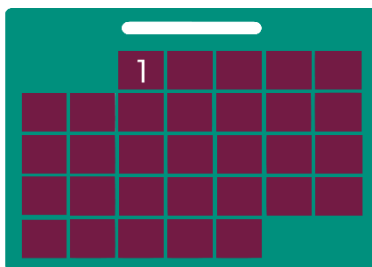
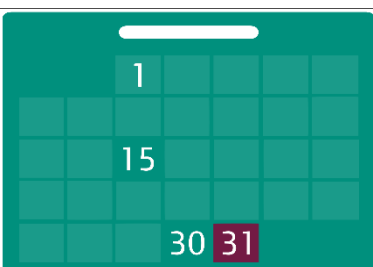
If you miss the end of the month deadline, then your payment is late. You will have to pay interest on your late payment and a penalty.



Your penalty will be cancelled if:
You pay before or by the end of the 15th day
Or, If you get in touch with HMRC before or by the end of the 15th and if it leads to a payment plan. (on condition that you successfully complete the payment plan)
You will still have to pay interest on your late payment.



If you missed paying by the 15th day, but pay before or by the end of the 30th day, you will pay a **reduced penalty and you will also pay interest on your late payment.**



If you missed paying by the 30th day your penalty will be substantially higher. You will pay:

- The full penalty amount
- A second penalty charge
- The interest on your payment.

4.2.7 Late payment penalty money pot graphic

Late Payment Penalties

Late Payment Interest

If you fail to pay your tax on the due date, then your payment is late. You will have to pay interest on your late payment until it is paid.

%

%

%

If you are charged a penalty for late payment and continue to fail to meet your payment obligations, then you will be required to pay interest on both the tax overdue and the late payment penalty.

% %

Penalty charges

Your penalty will be cancelled if:

- You pay the outstanding tax owed in full before or by the end of the 15th day
- Or, If you get in touch with HMRC before or by the end of the 15th to agree a payment plan



If you have not paid by the end of the 15th day, you will receive a late payment penalty calculated at X% of the tax overdue.



If you have not paid the outstanding tax due and the penalty by the end of the 30th day, your penalty will be increased to X% of the tax overdue.



If you have not paid the outstanding tax due and penalty before the end of the 30th day, then you will also be subject to a second penalty charge. The second penalty increases in size every day until full payment is made.