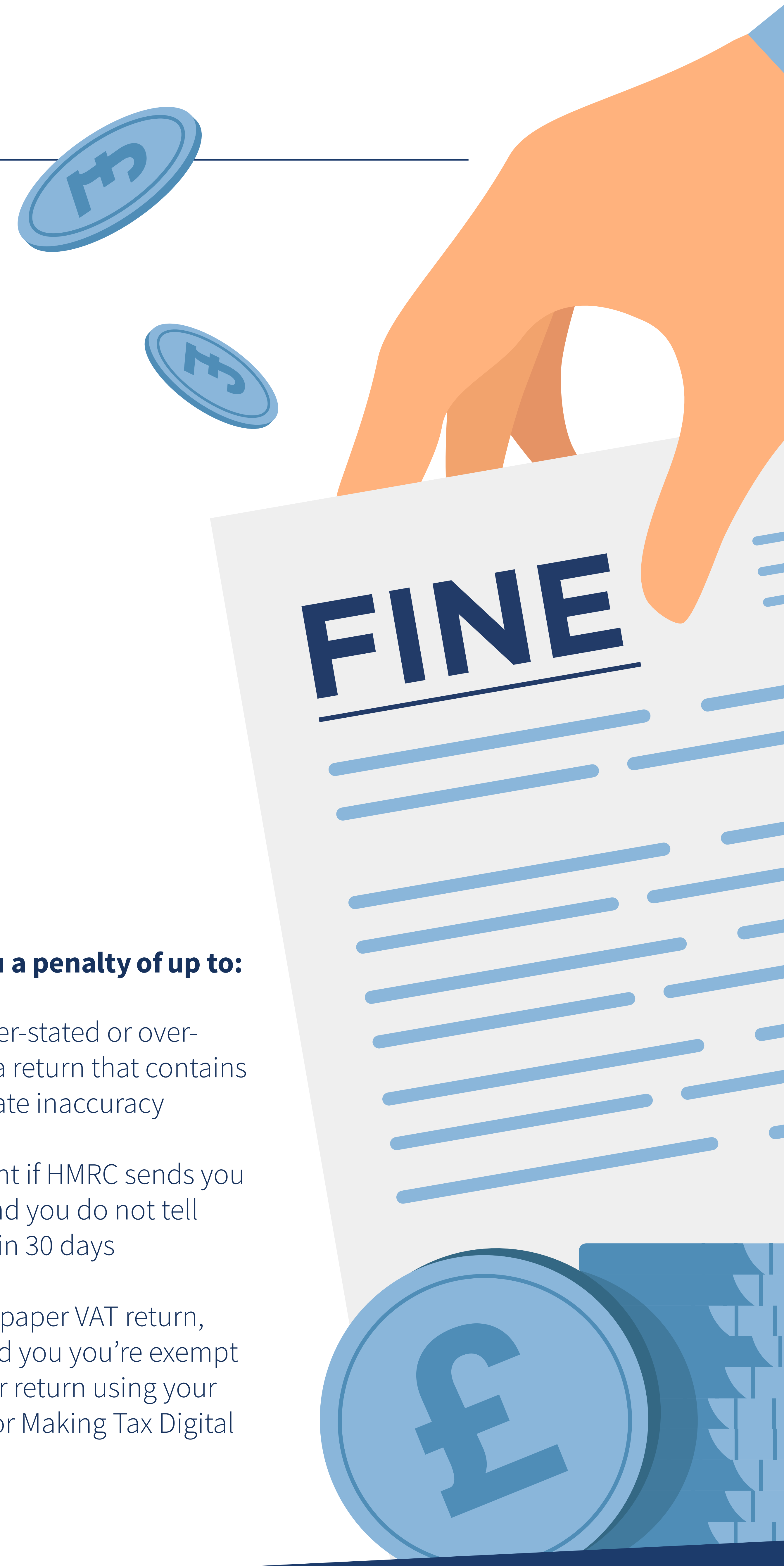
VAT Surcharges and penalties



HM Revenue and Customs (HMRC) record a ‘default’ if:

they do not receive your VAT return by the deadline full payment for the VAT due on your return has not reached their account by the deadline

Surcharges

You may enter a 12-month ‘surcharge period’ if you default. If you default again during this time:

- the surcharge period is extended for a further 12 months
- you may have to pay an extra amount (a ‘surcharge’) on top of the VAT you owe

If you submit a late return, you will not have to pay a surcharge if you:

- pay your VAT in full by the deadline
- have no tax to pay
- are due a VAT repayment

HMRC will write to you explaining any surcharges you owe and what happens if you default again.

How much you pay

Defaults within 12 months	Surcharge if annual turnover is less than £150,000	Surcharge if annual turnover is £150,000 or more
2nd	No surcharge	2% (no surcharge if this is less than £400)
3rd	2% (no surcharge if this is less than £400)	5% (no surcharge if this is less than £400)
4th	5% (no surcharge if this is less than £400)	10% or £30 (whichever is more)
5th	10% or £30 (whichever is more)	15% or £30 (whichever is more)
6th	15% or £30 (whichever is more)	15% or £30 (whichever is more)

Penalties

HMRC can charge you a penalty of up to:

- 100% of any tax under-stated or over-claimed if you send a return that contains a careless or deliberate inaccuracy
- 30% of an assessment if HMRC sends you one that’s too low and you do not tell them it’s wrong within 30 days
- £400 if you submit a paper VAT return, unless HMRC has told you you’re exempt from submitting your return using your VAT online account or Making Tax Digital compatible software