

Are your VAT returns up to date?



Background

Penalties

Time Limit

What to do next

All VAT registered business know how important it is to file VAT returns and make payment on time.

Background

Most will be aware of the penalty regime that activates automatically if they are late in filing a VAT return even if they do not know the precise details of how it works.

In spite of this there is, apparently, a hardcore of businesses that fail to file and pay by the due date and it is this group that is the subject of the latest HM Revenue & Customs campaign to encourage greater compliance.

The campaign appears to have two aims:

- Get the defaulters up to date; and
- Weed out those businesses that no longer need a VAT number.

Penalties

Most tax campaigns have, up to now, taken the carrot approach by offering lower penalties. This campaign appears to be taking more of a stick approach as there is no indication of lower penalties and instead a veiled threat of additional penalties and possible fraud action!

Even if you paid the estimated assessment generated automatically by the VAT computer there is still a risk of additional penalties if your true VAT liability was higher than the estimate.

Time Limit

The deadline by which outstanding VAT return filing and payment must be brought up to date is 28 February 2013, thereafter, those businesses still in default may find that their tax affairs are subject to greater

scrutiny.

There is no explanation of what form this 'greater scrutiny' will take but there is a suggestion that HM Revenue & Customs will use information powers to find out about the taxpayer's finances which in turn may lead to criminal investigation.

The implication being that HM Revenue & Customs believe that some defaulters are deliberately failing to file the returns in order to withhold payment even though they actually have enough money to pay.

It is also interesting to note the reference to 'tax affairs' rather than merely 'VAT affairs' - a clear indication that HM Revenue & Customs is becoming more of a joined up department.

The normal filing time limit, will of course, continue to apply to returns that are not yet due to be filed.

What to do next

In our experience the situation is rarely as clear cut as HM Revenue & Customs believe and that what is required is to provide assistance rather than beat people with a stick! We recommend therefore that any business that is behind with its VAT return filings to seek advice as a matter of urgency.

Your usual Shipleys contact should be able to help or speak to the [VAT Team](#)

T: 020 7312 6526

E: vat@shipleys.com

Specific advice should be obtained before taking action, or refraining from taking action, in relation to the above.

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