

Compliance checks – What happens when we find something wrong

Every year we carry out checks to make sure that our customers are paying the right amount of tax and receiving the right allowances and tax reliefs. These are called compliance checks.

This factsheet explains what happens if we find something wrong during a check. It applies to returns or documents for tax periods starting on or after 1 April 2008 with a filing date on or after 1 April 2009.

When something is wrong

If we find something wrong, we will let you know about it by letter or phone call, or during a visit or meeting. We will work with you to try to put things right.

If there is an error that means that we are due to pay you some money, we will repay you or credit your account. In some cases we will also pay you interest.

If there is an error that means that you are due to pay us some money, we will tell you how much this is, and explain how we worked it out and how to pay. You may have to pay interest and in some cases you may have to pay a penalty.

How we make decisions to charge a penalty

Our decision to charge a penalty and the amount of the penalty depends on the kind of error, how we found out about it, and what you do to help us put things right.

We will normally only charge you a penalty if:

- the error was careless
- the error was deliberate
- the error was deliberate and concealed
- you find an error that was not careless or deliberate but do not tell us about it
- you do not tell us when you know that a tax assessment we have sent you is too low.

How to avoid a penalty

We will not charge a penalty if you took reasonable care to get things right but still made an error. Some of the ways you can show you took reasonable care include:

- keeping accurate records so that you can complete your tax records correctly. Please see www.hmrc.gov.uk/about/new-standard-systems.htm for further information on recordkeeping.
- checking with an adviser or with us if you are not sure about anything.

How to reduce a penalty

Even if you have made a careless or deliberate error there are still things you can do to reduce the size of the penalty. You can:

- tell us about the error before you think that we are about to find it
- tell us as much as you can about the error and how it happened, including whether it has led to an underdeclaration of the amount of tax you need to pay
- help us to correct the error, answering our questions and giving us all the information, documents and records we need to calculate the correct figures.

If you need help

If you have any questions, please contact the office that wrote to you. You can find a list of our helplines on the HMRC website and click on 'Contact us' or use the numbers listed in your local telephone directory under HM Revenue & Customs.

Don't stop making returns and payments

During the compliance check, please carry on making returns and payments when they are due.

Benefits and credits

If you are receiving any benefits, fees or grants that are based on your income, you may need to let the organisation that is paying you know if your income changes as a result of this check.

Access for everybody

Please let us know if you might need extra help to deal with this check, for example, if:

- English is not your first language
- you would like us to use a certain format to communicate with you
- you would like us to visit you at home because it is difficult for you to get to an Enquiry Centre.

For details, please visit

www.hmrc.gov.uk/enq or contact the officer dealing with your check to get further help.

What if you are unhappy with our service

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will give you information about how to make a complaint.

This factsheet covers:

- Capital Gains Tax
- Construction Industry Scheme
- Corporation Tax
- Income Tax
- National Insurance Contributions
- National Minimum Wage
- PAYE
- Statutory Adoption Pay
- Statutory Maternity and Paternity Pay
- Statutory Sick Pay

How we calculate penalties

The penalty is a percentage of the extra tax that you are due to pay. This percentage depends on the kind of error and how much help you gave us to put it right.

This table shows the range of percentages:

Kind of error	Penalty range
Careless (including where you realise you have made a mistake but you do not tell us)	0% – 30%
Deliberate but not concealed	20% – 70%
Deliberate and concealed	30% – 100%
You did not tell us that we have underassessed the amount of tax you should pay	0% – 30%

Charging a penalty

We will discuss your tax with you to work out the correct amount you need to pay, including any interest. We will also talk to you about whether any penalty may be due and the amount. We will then either:

- send you a penalty notice so that you can understand what has happened and how we have worked out the amount
- tell you what has happened and how we have worked out the amount. We will then invite you to enter a contract with us to pay the tax, interest and penalty.

What to do if you disagree

When we make a decision you can appeal against, we will write to you to explain the decision and tell you what you need to do if you disagree. You will usually have three options. Within 30 days you can:

- send new information and the reasons why you disagree to the officer you have been dealing with
- have your case reviewed by a different officer
- have your case heard by an independent tribunal.

You can find further information about this in factsheet HMRC1 *HM Revenue & Customs decisions - what to do if you disagree*. You can get this factsheet by:

- downloading it from our website at www.hmrc.gov.uk/factsheets/hmrc1.pdf or
- phoning the HMRC orderline on **0845 900 0404**.

Suspending a penalty

If the penalty is for a careless error we may agree to suspend it for up to two years. We will set conditions to help you stop making similar errors again. If you meet the conditions, and you do not make any other careless or deliberate errors during this time, we will cancel the penalty at the end of the suspension period.

If the penalty is for a deliberate error or failure to tell us about an underassessment, we cannot suspend it.

- Student Loans
- VAT

This factsheet is one of a series:

CC/FS1 *General information*

CC/FS2 *Requests for information and documents*

CC/FS3 *Visits - Pre-arranged*

CC/FS4 *Visits - Unannounced*

CC/FS5 *Visits - Unannounced - Tribunal approved*

CC/FS6 *What happens when we find something wrong*

CC/FS8(T) *Help and advice*

These can be found at

www.hmrc.gov.uk/about/new-compliance-checks.htm

HMRC1 *HM Revenue & Customs decisions - what to do if you disagree*

You can get this factsheet at

www.hmrc.gov.uk/factsheets/hmrc1.pdf

or by phoning the Revenue and

Customs orderline on **0845 900 0404**.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

Customer Information team

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