



Inland
Revenue

CODE OF PRACTICE
COP14

Corporation Tax

Self Assessment Enquiries

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This Code of Practice tells you how we carry out enquiries into company tax returns and claims made outside a return for accounting periods ending on or after 1 July 1999.

Introduction

There are separate Codes of Practice for cases dealt with by some of our specialist offices. In particular this leaflet does not apply to enquiries handled by Special Compliance Office (SCO).

We promise companies fair treatment under the law and in accordance with 'Our service commitment to you' (see the back of this leaflet). It explains the rules we follow and your rights and responsibilities in particular situations.

We want companies to pay the right amount of tax, no more, no less.

We will be pleased to help if you

- have any queries after reading this leaflet, or
- need more information on completing a company tax return.

See page 21 for details on how to contact us.

Enquiries into company tax returns and claims made outside a return

We want you to feel confident that

- other taxpayers are paying what they should, and
- we operate the tax system fairly.

In order to do this, we enquire into some tax returns and claims to check that they are correct, or if we need further information to understand the figures on the tax return.

We want to make sure companies do not pay too much or too little tax. Either way, we will tell you if we find something wrong.

We do not set targets for the amount of additional tax our staff should collect.

To discourage tax evasion and ensure the whole system is operating fairly, we will select some tax returns at random for enquiry. We can then check if anything is wrong, which may not be apparent on the face of the tax return.

If, at any time after you have sent us the company's tax return, you find something in it that is wrong or has been left out, you should tell us immediately.

You can amend the company's tax return up to 12 months after the date it had to be sent to us (the filing date).

But we can charge you a penalty if an amendment shows

- a taxable amount more than that shown on the company tax return originally, and
- there is evidence that you acted negligently or fraudulently.

You can amend the company's tax return when it is under enquiry, but we will only take these amendments into account in the company's self assessment at the end of the enquiry.

You cannot amend the company's tax return after the 12 months following the filing date, except in particular circumstances, for example, withdrawing a claim for group relief following an Inland Revenue enquiry. However, if you later find that you made a mistake you may be able to make a claim for any extra tax relief.

You should always tell us about any changes needed and we will then discuss with you how we can settle matters.

What happens when we receive a company tax return or claim

We record

- the figures you provide and the company's self assessment of the tax it should pay, or
- subject to certain checks, that we should repay to the company.

If we find any obvious mistakes, for example, in the arithmetic, we may correct them without making enquiries and send you the corrected figures. If you disagree with what we have done, you can ask us to reverse or amend any changes we have made, within three months of the date we issued our correction.

If the company tax return or a claim made outside a return shows that you have paid too much tax, we will normally repay the excess. But, if we have already started enquiries into a claim made outside a company tax return, we will usually hold onto the repayment until we are sure the claim is correct.

We carry out a comprehensive programme of checks. We look at information in the company's return or supporting the claim and compare it with information we hold.

Following these checks, if we think there is a risk the company tax return or claim may be incorrect, or if we think something requires further explanation, we will start enquiries.

If we make enquiries into a return or claim under Self Assessment it does not imply that we think it is incorrect, so when we ask questions or seek information we will not give reasons for making the enquiries. The initial request may, however, identify particular areas on which the enquiries will focus.

How we conduct an enquiry

Starting enquiries

We will tell you in writing that we intend to start enquiries, and whether we are looking at the whole of your return or only at one or more specific areas. If necessary, we may extend our enquiries into the whole of the return, where we initially indicated that it would be into a specific area.

We will tell you what your rights and responsibilities are. At the same time, we will try to tell you the information we require. Exceptionally, we may not be able to do this, but we will always explain why and say when we expect to be able to do so.

We normally have 12 months from the date the company's tax return had to be submitted to us to tell you that we intend to start enquiries. We may have longer if you send in the company's tax return late. We will always have at least 12 months to enquire into any amendment that you make to the company's tax return or a claim you make outside that return.

At the end of that period, if we have not begun enquiries, the company's tax return or claim will normally become final. We can make an assessment after that period only if we find an error that we could not reasonably have been expected to be aware of from the information provided in, or with, the company's tax return or claim. In these circumstances, we can make an assessment at any time up to six years after the end of the accounting period.

If we find that the company's return was incorrect because of fraudulent or negligent conduct, we can make an assessment at any time up to twenty one years after the end of the accounting period.

Co-operating with our enquiry

We would welcome your co-operation with our enquiry and in establishing the correct tax. The extent to which you co-operate with us and provide us with information is entirely a matter for you. In making your decision you may wish to obtain assistance from a professional adviser.

You should be aware that if subsequently it is shown that an offence has been committed for which tax geared penalties may be payable (as described in leaflet IR160 - 'Enquiries under Self Assessment. How settlements are negotiated') we will take into account in calculating the amount of the penalty the extent to which you have been helpful and have freely and fully volunteered any information about income or gains which were omitted or understated.

Professional representation

The company can choose to be professionally represented, for example, by an accountant or tax adviser. The company may exercise that right at any time and likewise may change or stop using a professional adviser at any time.

We will deal with any professional adviser the company appoints unless you ask us not to. If there is little progress in settling matters, we will tell you and may then deal with you direct (or with any other professional adviser the company may then appoint).

Make sure the company's professional adviser has all the facts because **you** are responsible for the company's tax affairs and the accuracy of all the information supplied to us, even if the company has a professional adviser.

Providing information

We will ask questions and explain what further information we need as clearly and simply as possible.

We may limit our enquiries to one or more specific aspects of the company's tax return or claim. These may range from

- requests for clarification of particular entries
- detailed consideration of whether those entries have been treated correctly for tax purposes
- examining records or documents that particular entries were based on.

We may decide to conduct an extensive examination covering all aspects of the company's tax affairs. Enquiries of this type will typically involve an in-depth review of the records on which the company's tax return was based. As part of this review we may ask for information relating to third parties, for example, directors or shareholders. We will always give you the opportunity to provide the information yourself but where you cannot do this we may ask for the information directly.

If we need to open separate enquiries into directors' or shareholders' personal tax returns we will tell each of them in writing that we intend to start enquiries and send them a separate Code of Practice.

We will only ask for information relevant to anything which is in, or should be in the tax return or claim.

If we ask to see the records on which the company's tax return is based, you should be able to provide these within a reasonable time, as the company, or the company's professional adviser, should already hold them. If we decide we need other information, we will explain our request fully.

We will take up as little of your time as possible by trying to ask early on in our enquiries for everything we need to know. We will try to avoid asking for information in a piecemeal way but this is not always possible. It may help if you tell us about any special features of the business or financial affairs of the company or its directors or shareholders which you think may be relevant to any questions we have asked.

Occasionally, we may need to get information from other people if we cannot get information directly from you or we need to check something. We will keep the company's affairs confidential and we do not tell other people that we are enquiring into the company's tax return.

We will give you a reasonable amount of time to provide any information we need. You should tell us if you think we have not given you enough time and say how much more you need, and why. We will let you have more time if this seems reasonable. If we cannot agree, we will tell you why.

You should respond as promptly as you can when we ask for information. This will help to save you time and keep down costs for the company, and us.

Tell us straightaway if you have difficulty getting the information we ask for and we will discuss with you how you might obtain it. You should also tell us if you think it is not relevant to our enquiries. We will consider your reasons carefully and if we think we still need the information we will explain why.

If you do not provide the information we have asked for and we have to use our statutory powers to obtain it we will

- explain our statutory powers to you
- advise you of any penalties that might arise if the company does not comply
- tell you about the company's rights of appeal to independent Appeal Commissioners.

We may suggest that we examine the company records at the business premises. This will save you sending them to us and can often be more convenient for everyone. You can also ask us to examine the records at the business premises or any other place that is convenient to you and if possible we will do so.

We try to return company records as soon as possible. If you need them in the meantime, for example, to complete the company's tax return for a later year, you can ask us to return any records we hold. You should tell us what you need and when you expect to be able to return them.

We will either send the records to you if we can. Take care of them so that you can return them to us complete and undamaged, or if we need to keep the original records we will give you copies. We will do this free of charge, and within seven days of receiving your request, if possible.

Submitting the next year's tax return

You should not let our enquiries into the company's tax return for one year delay submission of a tax return for any other accounting period. You may be unable to provide final figures because you think these might be affected in some way by the enquiries which are under way. If so,

- include your best estimates in the tax return, and
- indicate which figures may be affected by the outcome of the existing enquiries.

The information you provide on behalf of the company should be correct to the best of your knowledge. If you provide information you know to be false, you may be liable to prosecution.

Stopping the enquiry

You have the right to ask us why we are continuing our enquiries, if you believe that you have provided all the information and explanations necessary to check the company's tax return and that we have had adequate time to consider the information and explanations. We will reconsider the matter to see whether we can agree or explain what further information we need for checking the tax return.

If you think we have no grounds for continuing our enquiry, you may ask the Tax Appeal Commissioners to consider whether the enquiry should be closed. For example, you may believe

- that you have provided all the information reasonably required to determine the accuracy or completeness of the company's tax return, or
- that the enquiry is being prolonged unnecessarily by us.

We may ask to meet you or other officers or employees of the company to discuss those aspects of the company's business affairs of which only you or they have first-hand knowledge. We will tell you the main areas we want to discuss.

Meetings

You can ask the company's professional adviser, if it has one, to attend any meeting we have with you.

You or other officers or employees of the company are not obliged to come to any meeting, but we will expect you to provide promptly any information we consider essential to our enquiries. Meetings allow you to clarify and explain any points you think we may not have understood, and allow you to ask questions. If we consider that correspondence will not be an adequate substitute for a meeting, we will tell you.

We may suggest that we hold a meeting at the company's business premises. If this is inconvenient we can arrange a meeting at our office, or we may be able to meet you at some other mutually convenient location.

You should make sure the answers you give us at meetings are correct. If you are not sure about an answer you should say so. Similarly, if afterwards you realise something you said at a meeting may have been wrong, you should tell us straightaway.

You should bring any documents which you think may help you answer questions or support points you might wish to raise about the company's tax return, or its business for the period under enquiry.

Notes of meetings

We will make a written record of any meeting we have with you and you can ask for a copy. We may ask you to sign a copy of our notes to show that they record the substance of what was said. You have the right to comment on these notes and to tell us about anything with which you do not agree. You do not have to sign them or comment on them, but a signed record could be useful if we cannot reach agreement and have to ask the Tax Appeal Commissioners to resolve matters.

You or your professional adviser can also take your own notes during the meeting.

If we find nothing wrong

If we find nothing wrong, we will tell you and let you know that our enquiries have finished.

If we find something wrong

Paying tax during our enquiries

We will ask the company to make a payment on account towards any additional tax we think may be due, but until the company's self assessment is amended, it does not have to pay anything additional if you do not think it should.

However, making a payment on account will help reduce any interest charges if, at the end of our enquiries, we find the company does owe additional tax. If it turns out that the company has paid too much, we will repay, with interest, any tax it has overpaid.

We may make an amendment to the company's self assessment before the end of our enquiries if we think

- that additional tax is due, and
- it might not be paid if we did not act promptly.

We may also make assessments for earlier years.

The company has a right to appeal against any such assessments or amendments and can ask to postpone payment of any of the tax. If we cannot reach agreement you can ask the Tax Appeal Commissioners to decide how much tax the company should pay at this stage of our enquiries.

Revised figures

We will try to agree with you any changes that are needed to the company's figures.

We will only suggest changes we consider to be reasonable in the light of all the information we have.

When our enquiries are completed, we will tell you in writing and set out any adjustments we think are necessary. We will try to point out any amendments needed to other tax returns (either for later or earlier periods), but we cannot guarantee this. **You** are responsible for making sure amendments are made to other company tax returns to take into account the outcome of our enquiries.

We will always explain how we arrived at the figures we put forward. If you do not understand them you should let us know.

We will invite you, if you agree with our figures, to amend the company's tax return. You will have **30 days** to do so. You will also have **30 days** to amend any other company tax returns affected by the outcome of our enquiries. If you do not do this **within 30 days**, we will amend the company's tax return for the period under enquiry and any other year to give effect to any adjustments we think are necessary.

If our enquiry is into a claim made outside a return we will tell you what amendments we are making on completing the enquiry.

Contract settlements

Where our enquiry results in additional tax being due for more than one year it is often easier to settle matters through a contract between you and us rather than by issuing several closure notices or assessments.

A contract settlement is also the usual way of concluding enquiries that show you have incurred a penalty, as explained under 'Interest and Penalties' on page 13. We will discuss this with you and your professional adviser and give you leaflet IR160 'Enquiries under Self Assessment. How settlements are negotiated', which explains the process.

We may make assessments for earlier years if necessary.

Appeals

You have 30 days to appeal to independent Tax Appeal Commissioners against

- any amendment we make to the company's tax return or claim
- any assessment to corporation tax we make that you think is incorrect.

You can find out how to appeal by

- reading the notes with the amendment or assessment, or
- asking us to explain the process to you.

We will try, wherever possible, to reach agreement with you about the company's tax without a formal hearing of any appeal. If agreement cannot be reached, **both** the company and the Inland Revenue have the right to ask for any appeals to be heard by the Commissioners.

If we unable to agree

If we are unable to agree a contract or any amendments or assessments, the information or documents you provided during the enquiry may be used in any appeal proceedings to decide the tax, interest and penalties which you owe.

If the appeal hearing is arranged at the company's request and we think our enquiries will need more time, we will ask the Commissioners to adjourn the hearing to a later date. Likewise, if the appeal hearing is arranged at our request and you need more time to provide information, you can ask the Commissioners to adjourn the hearing to a later date. In both cases, it will be up to the Commissioners to decide whether or not to accept the request.

We will

- tell you if we intend to ask the Commissioners to settle the company's appeal. We may do this if little or no progress is being made towards settling it by agreement
- explain the figures we propose to put forward at least 14 days before the date fixed for the hearing, unless there are exceptional circumstances. The figures we put forward may differ from those we suggested to you during our negotiations.

You have the right to put the company's case to the Commissioners and to tell them the figures you believe to be correct. You can choose whether or not to have the company's case presented for you by a professional representative, or by any other person providing the Commissioners do not object.

After listening to both parties and considering all the evidence, the Commissioners will decide whether the amendment or assessment should remain unchanged, be increased or be reduced.

You can ask the Clerk to the Commissioners or us to explain anything you do not understand about the appeal hearing procedure.

Interest and penalties

Interest will be payable whenever the tax due is paid late. A penalty may also arise.

We can seek penalties for an incorrect tax return if it was delivered fraudulently or negligently, or if the company discovers that the tax return delivered is incorrect and does not remedy the error without unreasonable delay.

We can also seek penalties if you fraudulently or negligently make an incorrect return, statement or declaration in connection with a claim, or submit incorrect accounts relating to the ascertainment of the company's tax liability.

When calculating any penalty, we will take into account

- the extent to which you disclosed voluntarily anything that was wrong
- your help in concluding our enquiries
- the seriousness of the errors or omissions.

You should tell us about any matters you think are relevant when we are working out the penalty to be charged.

We will seek an agreed settlement on

- the amounts of tax
- interest, and
- penalties due from the company.

If we cannot reach agreement, we may determine formally the penalty we consider appropriate.

The company has the right to appeal against any penalty determination, and can ask for the appeal to be heard by the Tax Appeal Commissioners.

If you do not understand how we have calculated interest or penalties, or why they are due, you should ask us, or the company's professional adviser, or read our leaflet IR160 'Enquiries under Self Assessment. How settlements are negotiated'.

At the end of our enquiries

If our enquiries have shown something is wrong we will

- explain what it is
- tell you how to get things right for the future
- make suggestions about improvements to the company's business records if they do not meet legal requirements or we think they are inadequate. If the company is professionally represented, we may recommend that you seek advice from its professional adviser.

If you are still unsure about the records the company needs to keep in future, or the amount of detail required, ask the company's professional adviser or us to help you.

If the company's tax return was incorrect because it overstated its taxable income or gains, we will repay any tax it has overpaid plus appropriate interest.

Certificate of Disclosure

If our enquiries show that the company's tax return was incorrect we may ask you to sign a *Certificate of Disclosure*, confirming that the company has now declared all its taxable income and gains. We will not do so if our enquiries have shown the company's tax return was correct or overstated its taxable income or gains.

We will take a very serious view if you sign a *Certificate of Disclosure* you know to be false, so you should consider it carefully before signing.

Your rights under 'Our service commitment to you'

During our enquiries

We will always be courteous, fair and professional.

If you or the company's professional adviser writes to us we will aim to respond to every question or issue you have raised within our published service standards. For Tax Offices this is 28 calendar days. Different response times apply to some specialist offices, for example, the Large Business Office aim to have target dates agreed with each of their corporates.

If we cannot reply within this time, for instance because of the amount or complexity of the material you have sent us, we will let you know the reason for the delay and say when you can expect a full reply.

Keeping you informed Although we will not give reasons for making enquiries, we will explain the company's legal rights and the reasons for any actions we take during our enquiries. We will tell you, for example, why we

- think we need a meeting with you
- are not satisfied with an explanation you may have given
- are amending the company's tax return
- need to use our statutory powers to get information or documents
- are reviewing the company's tax returns for earlier years
- are making assessments for earlier years.

You can ask us at any time to explain

- the company's rights
- why we have taken a particular action, or
- what you are obliged to do under the law

even if we have already explained this to the company's professional adviser.

Confidentiality

The company, its directors and its shareholders have the right to the same high degree of confidentiality as all taxpayers.

If we open an enquiry into a director's or shareholder's tax return we will do so in accordance with our published Codes of Practice.

We may ask to discuss the company's and the director's tax affairs at the same time. In appropriate circumstances we may wish to discuss a shareholder's tax affairs as well. This may help speed up our enquiries, and help to reduce costs all round. We will, however, ask for everyone's agreement beforehand.

If there is anything you do not wish to discuss with others present, please tell us beforehand.

We will only give information to people you or the directors have not authorised in the limited circumstances allowed by law (such as at Tax Appeal Commissioners' hearings).

The company's costs

We know that dealing with our enquiries may cost the company time and money, so we will only ask for information we reasonably require to check that the company's tax return is correct.

We will end our enquiries as soon as possible. That is, when we are confident the company's return is correct, or that all errors or omissions involving more than a trivial amount of tax have been identified and put right.

We may need to keep enquiries into the company's tax return open where other enquiries (for example, into the directors' or shareholders' personal tax returns or tax returns of other companies) suggest that the company's tax return may not be correct. Where we need to do this we will tell you why we are not able to close the enquiry into the company's tax return.

Complaints

Our leaflet Code of Practice 1 'Putting things right when we make mistakes' explains our complaints procedure and when we pay compensation for mistakes we make.

Please tell us if you believe

- you have been denied your rights
- we have made a mistake
- you have been treated badly
- we have not acted in accordance with this Code of Practice.

To help you to do this and avoid any further inconvenience, we have a straightforward and easy to use complaints procedure.

You can complain in writing, by phone or fax, or by visiting your local office. We will try to settle your complaint as quickly as possible. So, if you have a complaint, please follow the steps below.

Step one

When you have a complaint, it is usually best to contact the person you have been dealing with. You may, however, prefer to contact the person's immediate manager or the person in charge of the office. If you wish to do this, phone the Customer Relations Manager and they will tell you who to contact.

Step two

If you cannot settle your complaint at step one, contact the Director with overall responsibility for the office you deal with. We will tell you the name and address of the Director to contact. The Director will review the complaint objectively.

Step three

If you are not happy with the Director's response, you can ask the Adjudicator to look into your complaint. The Adjudicator is a fair and unbiased referee whose recommendations are independent.

You can contact the Adjudicator at

The Adjudicator's Office
Haymarket House
28 Haymarket
London
SW1Y 4SP

Tel: **020 7930 2292** (Typetalk facilities are available)

Fax: **020 7930 2298**.

You can also contact the Adjudicator

- by e-mail at adjudicators@gtnet.gov.uk or
- on the Internet at www.adjudicatorsoffice.gov.uk

The Adjudicator's Office leaflet AO1 (available from the Adjudicator's Office and Inland Revenue offices) tells you how to make a complaint and gives information on what the Adjudicator can look into.

If at any time you are not satisfied with the service you are receiving from us or from the Adjudicator, or with the handling of your complaint, you can ask an MP to refer your case to the Parliamentary Ombudsman. The Ombudsman will accept referrals from any MP, but you should approach your own MP first.

Further information is available from

The Parliamentary Commissioner for Administration
Millbank Tower
Millbank
London
SW1P 4QP

Helpline: **0845 015 4033**

Fax: **020 7217 4160**.

Or contact the Parliamentary Ombudsman

- by e-mail at opca-enqu@ombudsman.org.uk or
- on the Internet at www.ombudsman.org.uk

You can also ask your MP to take up your case with the Inland Revenue or Treasury Ministers.

Help us to improve our service

We welcome any general comments you may have on how to improve our service to all our customers.

If you would like to suggest any changes to the way we do things or if you have any comments about this Code of Practice, please write to us at

Inland Revenue
Cross-Cutting Policy
Room S2, West Wing
Somerset House
Strand
London
WC2R 1LB.

Further information

We produce a wide range of leaflets. Some we have mentioned which you might find useful are

IR160 Enquiries Under Self Assessment. How settlements are negotiated

COP1 Putting things right. How to complain

Our leaflets are available at www.inlandrevenue.gov.uk and from any Inland Revenue office or Enquiry Centre. Most offices are open to the public from 8.30am to 5.00pm, Monday to Friday. Addresses are in your local phone book under 'Inland Revenue' and at www.inlandrevenue.gov.uk/local.

You can get most of our leaflets from our Orderline, seven days a week (except Christmas Day, Boxing Day and New Year's Day) by

- phone or textphone (for Minicom users) on **0845 9000 404** between 8.00am and 10.00pm
- fax on **0845 9000 604**
- e-mail at saorderline.ir@gtnet.gov.uk
- writing to
PO Box 37
St Austell
Cornwall
PL25 5YN.

Orderline calls are charged at local rates.

Your library or Citizens Advice Bureau may also have copies of some of our leaflets, but may not have them all.

We have a full range of services for people with disabilities, including leaflets in Braille, audio and large print. For details, please ask your local Inland Revenue office or Enquiry Centre.

Glossary

<i>You</i>	Any director or secretary of a company or other person responsible for submitting the company's tax return.
<i>We</i>	The Inland Revenue.
<i>Company</i>	Any body, association or organisation that is chargeable to corporation tax whether or not it is incorporated.

Our Service Commitment to you

The Inland Revenue and Customs and Excise are committed to giving you the best service we can by

acting fairly and impartially

We

- treat your affairs in strict confidence, within the law
- want you to pay or receive only the right amount due.

communicating effectively with you

We aim to provide

- clear and simple forms and guidance
- accurate and complete information.

providing good quality service

We aim to

- handle your affairs promptly and accurately
- be accessible
- keep your costs to the minimum
- help customers with special needs
- be courteous and professional.

taking responsibility for our service

We

- publish our customer service aims and achievements annually
- want to hear from you if you wish to comment, or complain, so we can improve our service. We advise you how to do this.

We can provide better service if you help us by

- keeping accurate and up-to-date records
- letting us know if your personal or business circumstances change
- giving us correct and complete information
- paying on time.

Further information on customer service is available at Inland Revenue and Customs and Excise local offices, set out in our Charters, complaint leaflets and Codes of Practice.

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

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