

Leigh Christou

New Penalty System for late VAT Returns from 1 January 2023

The new penalty regime is designed to penalise 'persistent offenders' rather than someone who makes one late payment.

Points System for late returns

The new system separates late VAT return submission from late payments by using a point system so if you submit your quarterly VAT return after the due date you will get ONE point – like getting a speeding point! If you are late submitting subsequent VAT returns you will have received ONE point for each late submission. Once you have FIVE points you will be subject to a £200 fine for each subsequent late return. (If you submit monthly VAT returns your points threshold is FIVE and annual returns your points threshold is TWO)

The £200 fine is universal and does not depend on the size of the business, every VAT registered business receives the same fine.

Another feature of the new system is that NIL returns will be subject to points and penalties too. So even dormant entities, which are VAT registered, might now want to consider deregistering for VAT.

Escaping the Penalty Regime

It is possible to 'wipe the slate clean' if you fulfil the following conditions:

- *All returns for the previous 24 months must have been filed by the business, although not necessarily on time; and*
- *It must have submitted all returns on time for 12 months after reaching the relevant points threshold. That is 24 months for a business on annual returns and six months for monthly returns.*

HMRC has advised that further details regarding this new Penalty Regime will become available nearer the time.

Should you have any queries, please do not hesitate to contact us

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