

## 1 JANUARY 2023 NEW VAT PENALTIES REGIME AFFECTS ALL VAT REGISTERED BUSINESSES

### WHERE WE PREPARE YOUR VAT RETURN

The new penalties mean all clients must submit returns on time and this will put more pressure on the last few weeks before the submission deadline. As such we must ask that **we receive all records and information by 3 weeks after your VAT period ends**, or else we cannot guarantee meeting the deadline. (E.g. 31 March period end must be received by 21<sup>st</sup> April). Even businesses that always receive repayments (e.g. farmers) must make returns on time now.

### ALL VAT REGISTERED BUSINESSES

**Late returns** - A new points based system will apply, and even repayment or nil returns will incur points for late submission. Each late return will incur a point that counts towards your penalty threshold as shown:

Frequency of return	Penalty point threshold	Compliance period
Annually	2	24 months
Quarterly	4	12 months
Monthly	5	6 months

Points are not removed based on time but are set to zero once the period of compliance shown above has been reached. Once the threshold is reached a **£200** penalty applies for any late return until the points are removed.

For example: a quarterly VAT return that has 4 penalty points must submit any late returns and make all returns on time for a further 12 months to see those points removed. If they are late one more time until points are removed a **£200** penalty will apply.

**Late Payment** - In addition to the penalty point system there is a new percentage based penalty for late VAT payment, plus an interest charge.

15 days or less late	No penalty if paid or a payment plan agreed between 1-15 days from due date
16-30 days late	A penalty of <b>2% of VAT</b> due for paying or agreeing a plan between 16-30 days
31 days or more late	In addition to the above 2% penalty a second <b>2% penalty</b> is levied between 16-31 days late. In addition, a penalty of <b>4% p.a.</b> is charged until paid in full or a plan agreed.

Interest is also to be charged on late payments at base rate plus 2.5% from the due date, given base rate rises this interest charge may not be insignificant and is in addition to above penalties.