

# Advice on Small Business Tax Penalties



## Setup and Grow

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### Don't be Mugged by the Taxman

Don runs a small company, in fact at the moment he is the only employee. Although he makes 'every effort' to comply with the requirements of the Taxman he recently made a small but devastating mistake.

It was early one January morning when Don, feeling at one with the world, arrived at work and started opening the morning post. A buff envelope from HM Revenue and Taxes took his eye and so he opened it first.

Inside was a letter headed 'Notice of Penalty Determination' in bold letters.

Don was surprised to say the least, what penalty, when, how. This initial shock soon changed to terror and a sick feeling deep in his stomach as he read:

**'statutory penalties that you must pay are £ 800.00'.**

### What on earth have I done to deserve this?

With panic building he read it over and over to find out what heinous crime could have resulted in him receiving this level of punishment. There it was in black and white, he had sent in his P35 at the correct time ( May 19<sup>th</sup> of the previous year) but had omitted to include a P14 to keep it company.

Checking back he had received a reminder and filed it away without attending to it. There had been a mention on it that failure to send in the form may render one liable to a penalty but £ 800.00 that was heavy. He was thinking at worst £ 100.00 which is what you would receive for not returning your personal tax form on time.

The late penalty is worked out at £ 100.00 for each month ( or part month ) for every 50 ( or up to 50 ) employees. This is a huge amount for a small business struggling to survive in difficult times.

### What to do Next

If, as you are reading this, you haven't missed any Tax forms then simply make sure that you don't miss any in future. The level of pain felt when such a notice arrives is well worth avoiding, not mention the amount of fe-breeze that is required to return your office chair to a useable condition.

Fortunately that is not the end of the story. Don had noticed that the back of the form contained a paragraph on appeals. So a still shaking Don phoned his accountant to

ask if it was worth following this procedure. He was advised that it was worth a go.

In this case he could put forward a reasonable excuse for his failure to comply with the requirement ( well he thought it was reasonable ). In the second half of that year he had been ill and had missed work on several occasions due to circumstance that he then explained in a letter to the Tax authority.

Some weeks later he received a letter informing him that the penalty had been removed and that he had nothing to pay. We don't often say nice things about the Taxman but on this occasion he came up with the goods – but try not to rely on this.

A happy ending.

And the lessons to be learnt:

- Return all forms and payments to the HM Revenue and Customs on time.
- If you do make a mistake appeal. If it is rejected you must then appeal to an independent tribunal. Re-member it is worth doing.
- If you still have to pay the penalty you can ask for the payment to be spread over a period of time.

Remember—Don't panic and stay of the window ledges of multi-storey office blocks.

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