

Budget 2008



BN75

12 March 2008

INDIRECT TAX RETURNS: CORRECTION OF ERRORS

Who is likely to be affected?

1. Businesses registered for Value Added Tax (VAT), insurance premium tax (IPT), air passenger duty (APD), landfill tax (LFT), climate change levy (CCL) and aggregates levy (AGL).

General description of the measure

2. This measure will increase the limit below which errors on previous returns may be corrected on the return for the period in which the errors are discovered.

Operative date

3. This measure will have effect for accounting periods commencing on or after 1 July 2008.

Current law and proposed revisions

4. The error correction regulations for VAT, IPT, APD, LFT, CCL and AGL permit the inclusion of errors below £2,000 on the next return submitted. Errors exceeding £2,000 have to be separately notified to HM Revenue & Customs (HMRC).
5. Regulation 34(3) of the VAT Regulations 1995 (SI 1995/2518) permits the taxable person to correct their VAT account during the accounting period in which the error is discovered, provided the net errors discovered do not exceed £2,000.
6. Schedule 3 of the Air Passenger Duty Regulations 1994 (SI 1994/1738) reproduces the return form APD2. Box 7 of that form provides for entry on the return of underdeclarations from previous periods, provided they do not exceed £2000. Box 8 of that form provides for overdeclarations from previous periods, with no limit.

7. Regulation 13(3) of the Insurance Premium Tax Regulations 1994 (SI 1994/1774) provides that, where the registrable person discovers underdeclarations or overdeclarations in an accounting period, they may be entered on the return for that accounting period, provided they do not exceed £2,000.
8. Regulation 13(4) of the Landfill Tax Regulations 1996 (SI 1996/1527) provides that, where a taxable person discovers underdeclarations they may be entered on the return for the accounting period in which they were discovered, provided that they do not exceed £2,000.
9. Regulation 28(2),(3) and (4) of the Climate Change Levy (General) Regulations 2001 (SI 2001/838) provide that, where a registrable person discovers a return previously made is based on an under-calculation or an over-calculation, they must correct the error on the return for the accounting period in which it was discovered, provided that it does not exceed £2,000.
10. Regulation 29(2), (3) and (6) of the Aggregates Levy (General) Regulations 2002 (SI 2002/761) provide that, where a registrable person discovers a return previously made is based on an under-calculation or an over-calculation, they must correct the error on the return for the accounting period in which it was discovered, provided the total net amount does not exceed £2,000.
11. This measure increases the *de minimis* £2,000 limit to the greater of £10,000 or 1 per cent of turnover, subject to an upper limit of £50,000 for VAT, IPT, LFT, CCL and AGL. For VAT, LFT, CCL and AGL errors above £10,000, the limit for correcting errors on the next return will be calculated by reference to net VAT turnover (Box 6 on VAT return) for the return period. For IPT, this limit will be calculated by reference to the net IPT turnover (Box 10 on IPT return). APD procedures will be amended to increase the *de minimis* limit to the greater of £10,000 or 1 per cent of duty due, before adjustments for errors from previous periods, subject to an upper limit of £50,000. For LFT, CCL and AGL taxpayers who are not required to be registered for VAT a single limit of £10,000 will have effect.
12. These regulations will be amended by statutory instrument to effect the changes to the voluntary disclosure limit.

Further advice

13. If you have any questions about this change, please contact HMRC National Advice Service on 0845 010 9000. Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk