



HM Revenue  
& Customs

# Introducing HMRC's New Penalties

Making Tax Digital



OFFICIAL



1. A little about me
2. Overview of the new Penalties
3. Preview of the digital system for agents
4. Questions and Answers

### **Christopher Jennings, Internal and External Customer Readiness lead for Penalty Reform, Making Tax Digital Programme, HMRC**

- I joined HMRC's Making Tax Digital programme in November 2020 and lead the internal and external customer readiness team for Penalty Reform.
- I joined HMRC (what was then Customs & Excise) in 1997 and have an indirect tax background, spending many years in various roles in the Customer Compliance Directorate.
- Prior to joining Making Tax Digital I was working on preparing businesses for the EU Exit changes.





The new penalties cover late submission, late payment and interest harmonisation.

The new penalties take effect:

- for VAT taxpayers for their first VAT return period starting on or after 1 April 2022;
- for ITSA taxpayers who are required to submit their returns via Making Tax Digital (MTD) for their first tax year or accounting period starting on or after 6 April 2023.
- for those ITSA taxpayers not mandated to submit their returns via MTD, the new penalties will apply for their first tax year or accounting period starting on or after 6 April 2024.

The new penalties are designed to be fairer and more effective.

The new points-based system for late submissions is designed to be more lenient to those who make the occasional slip-up whilst still penalising those who deliberately avoid their obligations

We're introducing a common approach across VAT and ITSA, making late payment penalties more proportionate to the length of time payment is outstanding.

We're also introducing a new approach to interest harmonisation bringing VAT in line with Income Tax Self-Assessment, providing consistency across the taxes.

## Late Submission Penalties

- The new points-based penalties are the same across VAT and ITSA.
- When a taxpayer misses a submission deadline, they will incur a point. Points accrue separately for VAT and ITSA.
- Once a penalty threshold has been reached a fixed penalty amount of £200 will be issued for every missed submission. The threshold will vary according to the filing frequency.
- Taxpayers will be able to appeal both the penalty points and the penalty charges.

Submission frequency	Penalty threshold
Annual	2 points
Quarterly	4 Points
Monthly	5 Points

- Total points will only be reset to zero once customers have met these two conditions:
  1. A period of compliance based on their submission frequency;
  2. All submissions that were due within the preceding 24 months have been submitted.

Submission frequency	Period of Compliance
Annual	24 months
Quarterly	12 months
Monthly	6 months

- If you don't meet both the above conditions to reset all points to zero, as long as you have not met the threshold each individual point will expire after 24 months.

## Late Payment Penalty

- Will harmonise penalties across ITSA and VAT, beginning with VAT.
- Late Payment could potentially mean you receive two penalties depending on when you pay.
- The first penalty will be levied 31 days after the payment due date and will be based on a set percentage of the balance outstanding.
- The second penalty will be calculated on amounts outstanding from day 31 until the principal balance is paid in full.
- Arranging a payment plan (Time to Pay) with HMRC will result in the penalty charges being suspended.
- HMRC will notify the customer of both penalties separately.

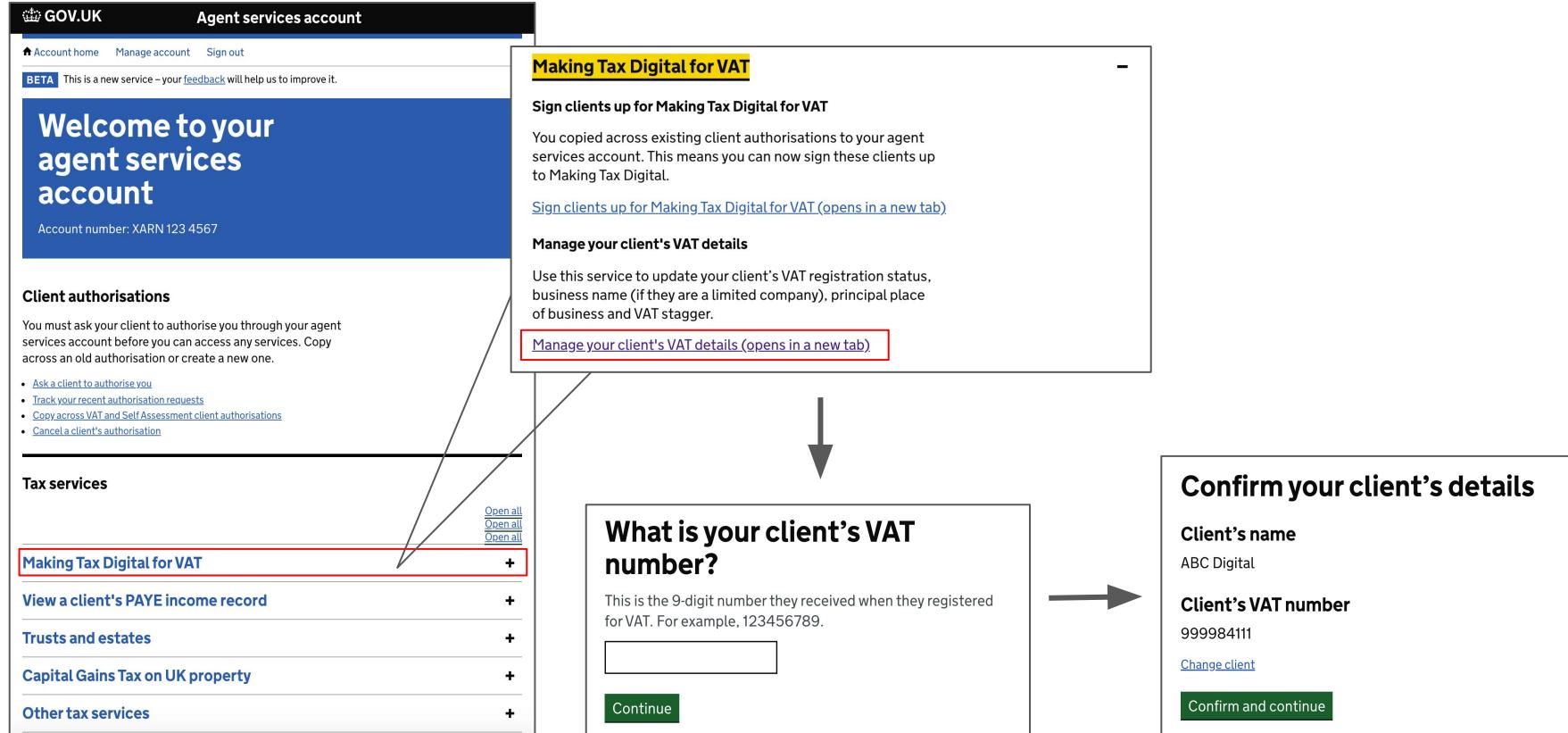
Penalty	Days after payment due date	Penalty charge
<b>First Penalty</b>	0 to 15	No penalty payable
	16 to 29	Penalty calculated at 2% of what was outstanding at day 15
	30	Penalty calculated at 2% of what was outstanding at day 15  <b>plus</b> 2% of what is still outstanding at day 30
<b>Second Penalty</b>	Day 31 plus	Penalty calculated as a daily rate of 4% on APR for the duration of outstanding balance

- Taxpayers will be able to appeal the penalty charges.
- To help our customers adjust to this new late payment approach, there will be a period of familiarisation for the first year of introduction.

The VAT interest rules will change and will be like those that currently exist in ITSA. The measure will make the following changes to interest payments in VAT:

- When an amount is not paid by the due date, late payment interest will be charged to the taxpayer from the date that tax becomes overdue until the date the payment is received.
- VAT Repayment Supplement will be replaced with Repayment Interest. Repayment Interest will be paid from the later of:
  - a. the due date of the return
  - b. the date the return is submitted

# Choosing a client from Agent Services



**Your client's VAT details**

VAT registration number: 999984111  
ABC Digital Solutions Ltd  
[Change client](#)

**Late submission and late payment penalties**

Your client must pay £113.88 in penalties.  
They also have 3 penalty points.

[Find out why your client has points and financial penalties](#)

**Next payment due**  
7 May 2023 **OVERDUE**

[Check what your client owes](#)

**Next return due**  
7 August 2023

[View return deadlines](#)

**History**

[Payment history](#)

[Submitted returns](#)

**Manage VAT**

Agents cannot set up, amend or view a client's Direct Debit or bank account details

[View business details](#)

Change your client's business and contact details or VAT Return dates.

[View VAT certificate](#)

View and print your client's VAT certificate.

[Penalties and appeals](#)

View your client's penalties, make an appeal against a penalty and see the status of any current appeals.

**Opt out of Making Tax Digital for VAT**

You cannot opt out if your client's taxable turnover has been above £85,000 since 1 April 2019.

[Cancel VAT registration](#)

Cancel your client's VAT registration if you're closing the business, transferring ownership or do not need to be VAT registered.

**Next payment due**  
7 May 2023 **OVERDUE**

[Check what your client owes](#)

**Next return due**  
7 August 2023

[View return deadlines](#)

**History**

[Payment history](#)

[Submitted returns](#)

**Penalties and appeals**

View your client's penalties, make an appeal against a penalty and see the status of any current appeals.

- Penalty notification banner (blue)
- 'Check what your client owes' so agents can see a client's charges
- Access to 'Payment history'
- Penalties and appeals section where agents can make appeals or get an up-to-date view of existing appeals

# What your client owes

 GOV.UK Your client's VAT details

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## What your client owes

<b>Penalty for not filing correctly</b> because you did not use the correct digital channel for the period 1 Jan to 31 March 2020 due 28 May 2020	£295
<b>Penalty for late registration</b> on your 1 Oct to 30 Dec 2018 return due 28 Jan 2020	£310
<b>Return</b> or the period 1 Jan to 31 March 2020 due 7 May 2020	£855

Payments can take up to 5 days to process.

The current view is on the left.

We hope to iterate to a version closer to what's on the right (to match Income Tax Self-Assessment).

Users we've shown this to like the additional info, total figures and links to a breakdown of amounts.



 GOV.UK Business tax account

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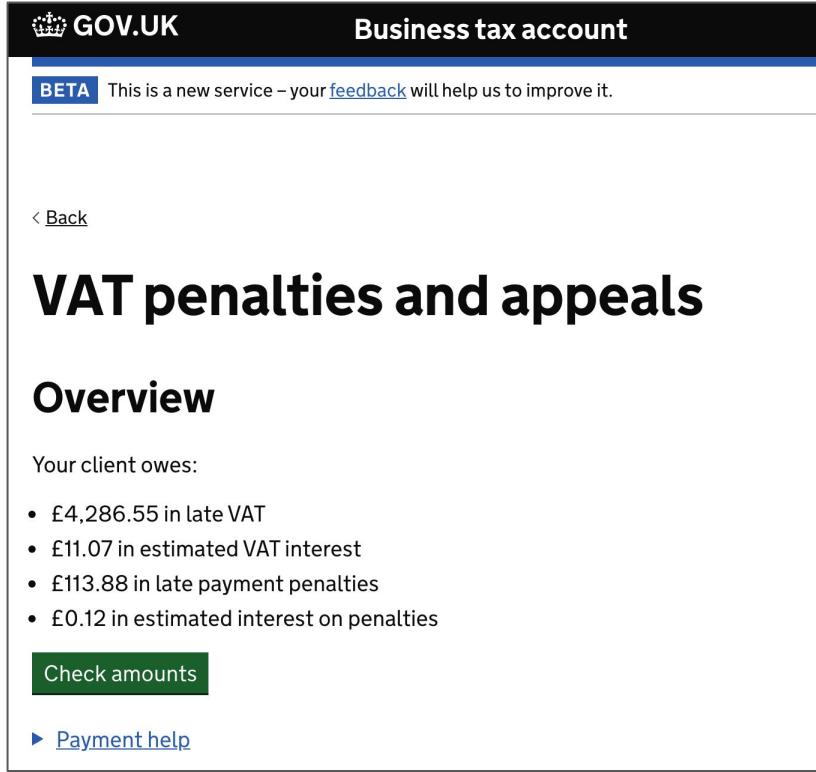
## What your client owes

Total payments due	Overdue payments
<b>£4,411.62</b>	<b>£4,400.43</b>

Payment type	Amount due
<a href="#">VAT for period 1 January 2023 to 31 March 2023</a> due 7 May 2023	£4,286.55
<a href="#">VAT interest for period 1 January 2023 to 31 March 2023</a> estimate based on VAT being 12 days late	£3.36
<a href="#">Late payment penalty</a> due 30 March 2023	£113.88
<a href="#">Interest on late payment penalty</a> estimate based on late payment penalty being 38 days late	£0.12
<a href="#">VAT interest for period 1 October 2022 to 31 December 2022</a> VAT paid 20 days late	£7.71
<b>Total</b>	<b>£4,411.62</b>

Payments can take up to 5 days to process.

[▶ Payment help](#)



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Business tax account

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## VAT penalties and appeals

### Overview

Your client owes:

- £4,286.55 in late VAT
- £11.07 in estimated VAT interest
- £113.88 in late payment penalties
- £0.12 in estimated interest on penalties

[Check amounts](#)

► [Payment help](#)

This is the top section (overview) of the main penalties and appeals page.

The overview helps agents to see their overall client position – we have heard from agents that this is the section they would screenshot for their clients.

Agents have a ‘check amounts’ button here, which leads to the client’s ‘What you owe’ page.

Note that agents won’t find a pay button on any screen – it’s not possible for agents to actually pay clients’ bills from Agent Services.

**Penalty and appeal details**

[Late submission penalties](#) [Late payment penalties](#)

**Late submission penalties**

Penalty points total: 3

**!** Your client will get a £200 penalty if they submit another VAT Return late.

Your client has 3 penalty points for submitting 3 VAT Returns late.

[Read the guidance about late submission penalties \(opens in a new tab\)](#)

**Penalty point 3** ACTIVE

VAT period	1 January 2023 to 31 March 2023
VAT Return due	7 May 2023
Return submitted	9 May 2023
Point due to expire	June 2025

[Appeal penalty point 3](#)

**Penalty point 2** ACTIVE

VAT period	1 October 2022 to 31 December 2022
VAT Return due	7 February 2023
Return submitted	17 February 2023
Point due to expire	March 2025

[Appeal penalty point 2](#)

**Penalty point 1** ACTIVE

VAT period	1 April 2022 to 30 June 2022
VAT Return due	7 August 2022
Return submitted	10 August 2022
Point due to expire	September 2024

[Appeal penalty point 1](#)

**Late submission penalties** [Late payment penalties](#)

## Late submission penalties

Penalty points total: 3

**!** Your client will get a £200 penalty if they submit another VAT Return late.

Your client has 3 penalty points for submitting 3 VAT Returns late.

[Read the guidance about late submission penalties \(opens in a new tab\)](#)

Information about your client's account comes first – this includes any warnings about what happens next if the client fails to meet their next late submission deadline.

This information changes according to the state of a client's account. The link takes you to guidance on GOV.UK.

<b>Penalty point 1</b>		<b>ACTIVE</b>
<b>VAT period</b>	1 April 2022 to 30 June 2022	
<b>VAT Return due</b>	7 August 2022	
<b>Return submitted</b>	10 August 2022	
<b>Point due to expire</b>	September 2024	
<a href="#"><u>Appeal penalty point 1</u></a>		

Late submission points can be appealed once the VAT Return is submitted.

We use summary cards under the message section to show relevant information about a particular penalty point or financial penalty.

The link to appeal a penalty is also on the summary card.

[Late submission penalties](#) [Late payment penalties](#)

## Late payment penalties

[Find out how late payment penalties are calculated \(opens in a new tab\)](#)

<b>£113.88 penalty</b>	<a href="#">View calculation</a> <span> DUE</span>
<b>VAT period</b>	1 October 2022 to 31 December 2022
<b>VAT payment due</b>	7 February 2023
<b>VAT payment date</b>	28 February 2023
<b>Penalty reason</b>	VAT not paid within 15 days

[Appeal this penalty](#)

<b>£144.21 penalty</b>	<a href="#">View calculation</a> <span> PAID</span>
<b>VAT period</b>	1 July 2022 to 30 September 2022
<b>VAT payment due</b>	7 November 2022
<b>VAT payment date</b>	26 November 2022
<b>Penalty reason</b>	VAT not paid within 15 days

[Appeal this penalty](#)

Summary cards on the late payment penalty tab.

Status tags can be:

- ‘DUE’ (a payment owed by the user)
- ‘PAID’ (a payment which has cleared to HMRC’s account)
- ‘£XXX TO PAY’ (a partial payment remaining after one or more have been made)

[Late submission penalties](#) [Late payment penalties](#)

## Late payment penalties

[Find out how late payment penalties are calculated \(opens in a new tab\)](#)

<b>£113.88 penalty</b>	<a href="#">View calculation</a> <span> DUE</span>
<b>VAT period</b>	1 October 2022 to 31 December 2022
<b>VAT payment due</b>	7 February 2023
<b>VAT payment date</b>	28 February 2023
<b>Penalty reason</b>	VAT not paid within 15 days
<a href="#">Appeal this penalty</a>	
<b>£144.21 penalty</b>	<a href="#">View calculation</a> <span> PAID</span>
<b>VAT period</b>	1 July 2022 to 30 September 2022
<b>VAT payment due</b>	7 November 2022
<b>VAT payment date</b>	26 November 2022
<b>Penalty reason</b>	VAT not paid within 15 days
<a href="#">Appeal this penalty</a>	

We're now offering a 'calculation' link against each late payment financial penalty or penalty interest amount.

[← Back](#)

1 October 2022 to 31 December 2022

## Late payment penalty

<b>Penalty amount</b>	£113.88
<b>Calculation</b>	2% of £5,694.06 (VAT amount unpaid on 28 February 2023)
<b>Paid</b>	£0.00
<b>Amount left to pay</b>	£113.88

[Return to VAT penalties and appeals](#)

(Calculation pages are also reached from links on the newer version of the 'What your client owes' page)

## Penalty and appeal details

Late submission penalties

[Late payment penalties](#)

### Late submission penalties

Penalty points total: **1**

Your client has 1 penalty point for submitting a VAT Return late.

They'll get another point if they submit late again. Points usually expire after 24 months but it can be longer if your client keeps submitting late.

If your client reaches 4 points, they'll have to pay a £200 penalty.

[Read the guidance about late submission penalties \(opens in a new tab\)](#)

#### Penalty point 1

ACTIVE

**VAT period** 1 January 2025 to 31 March 2025

**VAT Return due** 7 May 2025

**Return submitted** Not yet submitted

**Point due to expire** June 2027

[Check if you can appeal](#)

VAT obligations usually have to be met before a client can appeal a penalty.

For Late Submission Penalties a client must have submitted the return to appeal. For Late Payment Penalties they must have paid their liability.

Here, as the client has not yet submitted their VAT return, the link into the appeals service says 'Check if you can appeal'.

Late submission penalties	<a href="#">Late payment penalties</a>
<b>Late submission penalties</b>	
Your client has reached the financial penalty threshold.	
Until they bring their account up to date, they'll have to pay a £200 penalty every time they submit a VAT Return late.	
<a href="#">Show me how to bring this account up to date</a>	
<b>Penalty point 4: £200 penalty</b> <span style="float: right;">DUE</span>	
VAT period	1 October 2021 to 31 December 2021
VAT Return due	7 February 2022
Return submitted	Not yet submitted
<a href="#">Check if you can appeal</a>	

If clients reach a certain number of points HMRC will guide them back into good standing.

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Your client's VAT details

ALPHA This is a new service – your [feedback](#) will help us to improve it.

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## Bring the VAT account up to date

Your client needs to take action to bring their VAT account up to date.

Taking this action will:

- allow HMRC to remove all your client's penalty points
- help your client to stop paying late submission financial penalties

**Submit these missing returns**

- VAT period 1 October 2021 to 31 December 2021

**Complete these actions on time**

- VAT period 1 January 2022 to 31 March 2022  
Submit VAT Return by 7 May 2022  
SUBMITTED ON TIME
- VAT period 1 April 2022 to 30 June 2022  
Submit VAT Return by 7 August 2022
- VAT period 1 July 2022 to 30 September 2022  
Submit VAT Return by 7 November 2022
- VAT period 1 October 2022 to 31 December 2022  
Submit VAT Return by February 2023

If these actions are completed we will remove your client's points in March 2023.

Top of page

Second part of page

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## Appeal a VAT penalty

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Late submission penalty: 1 Jan 2021 to 31 Mar 2021

### Appeal a VAT penalty

To appeal a penalty about an 'indirect tax' (for example, VAT) you can either:

- ask HMRC to review the penalty
- appeal straight to the tax tribunal

Use this service to ask HMRC to review a penalty.

You can still appeal to the tax tribunal if you are not satisfied with the outcome of HMRC's review.

#### Before you start

You need:

- a reason why the VAT Return was late (HMRC calls this a 'reasonable excuse')
- the dates the reason related to

In some cases, we might also ask you to upload evidence to support the appeal.

We only need the information we ask for. You do not need to provide additional details unless we ask you for them.

[Continue](#)



Late submission penalty: 1 April 2022 to 30 June 2022

## Before the deadline, who planned to submit the return?

I did  
 My client did

[Continue](#)

Late submission penalty: 1 April 2022 to 30 June 2022

## Why was the return submitted late?

My client did not get information to me on time  
 Something else happened to delay me

[Continue](#)

Although tax obligations are the client's responsibility in law, it's helpful to know if the agent didn't meet a submission deadline. We do not plan to penalise agents.

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## Appeal a VAT penalty

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Late submission penalty: 1 April 2022 to 30 June 2022

### What was the reason for the delay?

- Bereavement (someone died)
- Crime
- Fire or flood
- Health
- Loss of staff essential to the VAT process
- Technology issues

or

- The reason does not fit into any of the other categories

**Continue**

[Read more about reasonable excuses \(opens in a new tab\)](#)

This list is standard for late submission penalties and late payment penalties.

You can see which penalty is being appealed above the page heading.

If you're logged in as an agent, and appealing because YOU were late, some questions are worded differently than if your client missed the deadline.

All appeal reasons have honesty declarations specific to them.

Late submission penalty: 1 April 2022 to 30 June 2022

## Honesty declaration

I confirm that:

- because of a health issue, my client was unable to submit the VAT Return due on 7 August 2022
- the timing of the health issue was unexpected
- no one else was available to make the submission for them
- I will provide honest and accurate information in this appeal

[Accept and continue](#)

The one on the left is for an agent reporting a health issue that prevented their client from submitting on time.

Right is the wording for if it was the agent was affected by a health issue.

Late submission penalty: 1 April 2022 to 30 June 2022

## Honesty declaration

I confirm that:

- because of a health issue, I was unable to submit the VAT Return due on 7 August 2022
- the timing of the health issue was unexpected
- no one else was available to make the submission for me
- I will provide honest and accurate information in this appeal

[Accept and continue](#)

Late submission penalty: 1 April 2022 to 30 June 2022

### **When did you become unable to manage the VAT account?**

Tell us the date when the health issue started to affect your ability to complete this submission.

For example, 12 3 2018

Day      Month      Year

<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------

**Continue**

On the right is the content for when an agent has told us it's the client who was affected by a health issue.

All reasonable excuses have their own journeys. We ask different questions on each journey.

The content here (on the health reason journey) talks about 'you' being unable to manage the VAT account – this question is used when an agent tells us THEY had a health issue which prevented them submitting on time.

Late submission penalty: 1 April 2022 to 30 June 2022

### **When did your client become unable to manage the VAT account?**

Tell us the date when the health issue started to affect your client's ability to complete this submission.

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## Appeal a VAT penalty

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Late submission penalty: 1 April 2022 to 30 June 2022

### Appeal a VAT penalty

To appeal a penalty about an 'indirect tax' (for example, VAT) you can either:

- ask HMRC to review the penalty
- appeal straight to the tax tribunal

Use this service to ask HMRC to review a penalty.

You can still appeal to the tax tribunal if you are not satisfied with the outcome of HMRC's review.

#### Before you start

You need:

- a reason why the VAT Return was late (HMRC calls this a 'reasonable excuse')
- the dates the reason related to
- details of why you did not appeal sooner

In some cases, we might also ask you to upload evidence to support the appeal.

We only need the information we ask for. You do not need to provide additional details unless we ask you for them.

[Continue](#)

The late appeal journey is the same as the standard appeal journey, with an extra question (below) about why the appeal was not made sooner.

The start page for the journey is slightly different from the standard start page, with an extra bullet point about needing to give a reason for the late appeal.

Late submission penalty: 1 April 2022 to 30 June 2022

### This penalty was issued more than 30 days ago

You usually need to appeal within 30 days of the date on the penalty notice. Tell us here why you could not appeal within 30 days.

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## Appeal a VAT penalty

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Late submission penalty: 1 January 2025 to 31 March 2025

### Has HMRC been asked to cancel the VAT registration for this business?

A business must cancel its VAT registration if it stops trading, deregisters for VAT or if the business ownership is transferred.

Yes

No

[Continue](#)

Late submission penalty: 1 January 2025 to 31 March 2025

**You cannot appeal yet**

You need to submit your client's VAT Return before we can review this penalty.

If you have already submitted the VAT Return, it can take up to 24 hours before it shows on your client's VAT account.

If you need to cancel the VAT registration, you can do it through your client's VAT details.

[Return to your client's VAT details](#)

We ask this question on all appeal journeys where a client has not met their obligation to submit a return or pay VAT. A 'no' response takes the user out of the appeal journey.

A 'yes' response leads to this:



Late submission penalty: 1 January 2025 to 31 March 2025

### Other penalties for this period

If HMRC accepts your appeal, we will remove all other late submission or late payment penalties for the same period.

You do not need to appeal against them separately.

[Continue](#)

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## Appeal a VAT penalty

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Late submission penalty: 1 January 2025 to 31 March 2025

### Tell us why you want to appeal the penalty

Include details of any communication with HMRC about cancelling the VAT registration.

Choose file

Continue

We do not expect many (if any) users to get a penalty after they ask HMRC to cancel the VAT registration.

Late submission penalty: 1 January 2025 to 31 March 2025

#### Evidence to support this appeal (optional)

Use this page to upload evidence to help us review the penalty.

Evidence might include any documents or letters that show why the business did not need to submit a return.

We will still review your penalty if you do not upload evidence.

You can upload up to 5 documents.

Each document must be smaller than 6MB.

► [Types of files you can upload](#)

Document 1  
Screenshot 2021-08-11 at 13.33.52.png [READY TO SUBMIT](#) [Remove](#)

Document 2  
Evidence upload new content 1. png [READY TO SUBMIT](#) [Remove](#)

Document 3  
 No file chosen

[Add another document](#)

Continue

But if they do, we have a simple journey based on filling in a text box and uploading evidence.

▼ [Types of files you can upload](#)

- Image (.jpg, .jpeg, .png or .tiff)
- PDF (.pdf)
- Email (.txt or .msg)
- Microsoft (Word, Excel or PowerPoint)
- Open Document Format (ODF)

You cannot upload zip files or documents that are password protected.

We'll scan all files and reject any we think are suspicious.

Late submission penalty: 1 January 2025 to 31 March 2025

## Check your answers

### Your details

#### Tell us why you want to appeal the penalty

My client called HMRC on 16 December 2024 and spoke to Sarah. The VAT registration should have been cancelled. I don't have any documentary evidence of the call.

[Change](#)

#### Evidence to support this appeal

Uploaded documents would be listed here

[Change](#)

### Declaration

By submitting this appeal, you are making a legal declaration that the information is correct and complete to the best of your knowledge.

A false declaration can result in prosecution.

[Accept and send](#)

## You have asked us to review a penalty

### What happens next

We'll make a decision about your appeal based on what you have told us.

Our decision will take into account all late submission or late payment penalties in the same VAT period. You do not need to appeal separately for these penalties.

We aim to make all appeal decisions within 45 days.

You'll receive a letter telling you the outcome of this appeal and the reasons for our decision.

[Return to your client's VAT penalties](#)

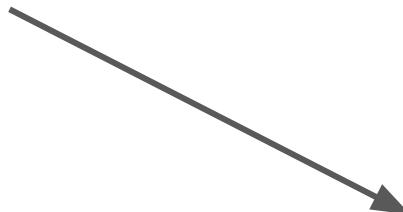
[View your client's VAT account](#)

[What did you think of this service?](#) (takes 30 seconds)

Screens like these are used on all appeal journeys and complete the appeal journey.

When an appeal has been submitted, the summary card will show that the penalty is under review.

The appeal link is now removed so a duplicate appeal cannot be made.



## VAT penalties and appeals

Late submission penalties [Late payment penalties](#)

### Late submission penalties

Penalty points total: 1

Your client has 1 penalty point for submitting a VAT Return late.

They'll get another point if they submit late again. Points usually expire after 24 months but it can be longer if your client keeps submitting late.

If your client reaches 4 points, they'll have to pay a £200 penalty.

[Read the guidance about late submission penalties \(opens in a new tab\)](#)

Penalty point 1		ACTIVE
VAT period	1 January 2021 to 31 March 2021	
VAT Return due	7 May 2021	
Return submitted	12 May 2021	
Point due to expire	June 2023	
Appeal status	Under review by HMRC	

The appeal status will change once HMRC has decided the review. If the appeal is successful, the point will be removed and the tag will read 'CANCELLED'.

The screens that you have seen today have been shaped by the research we have done with our users.

If you would like to sign up to take part in future research sessions, please sign up to the [HMRC User Panel](#).

Signing up for the user panel does not commit you to taking part in research - you can say no to invites and unsubscribe at any time.



Please ask any  
questions



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