

Funding the Future

There's no point HMRC saying they'll penalise people wh...

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The news was full of the story that 1 million people will pay £100 fines for submitting their tax returns late yesterday.

Except they won't.

I did some research on tax penalties a year or so ago. The data here all comes from my [report on small company administration](#) (around page 50). It is all based on parliamentary answers. These showed the following with regard to penalties issued for corporation tax over a number of years:

	Corporation tax penalties for late filing charged in year	Amount discharged on appeal	Net due	Outstanding unpaid at end of year	Amount paid estimated	Proportion of penalties waived
	£m	£m	£m	£m		
2006-07	191.1	91.4	99.7	237.3	n/a	47.8%
2007-08	232.2	51.6	180.6	338.7	79.2	22.2%
2008-09	207.7	198.7	9.0	248.5	99.2	95.7%
2009-10	327.6	225.9	101.7	228.1	122.1	69.0%

Vast numbers of penalties were waived: they were simply for returns not due, or that could not be traced.

But staggeringly of those due, almost no recovery was made. Years worth of unpaid penalties were outstanding at each year end.

That's the price of not having enough staff to collect debt at HMRC. But just think what could have been done with that money if it had been collected. And without a shadow of doubt if HMRC had kept on top of this issue much more could have been collected than was, and cost efficiently too.

In the meantime, assume that due to mismanagement at the top of HMRC the £100 million opportunity for the state that lat payment penalties represent at this moment will just be more money squandered away.

