

## Penalties incurred for late filing of forms

### Introduction

If you use a limited company for your contracting, with yourself as the director, you are subject to company and tax law.

You need to be mindful of both your administrative responsibilities and the penalties chargeable by the various authorities if you do not file your returns in good time.

This article discusses the various returns that need filing and the penalties if they are filed late.

### Corporation Tax Penalties

A company incurs late filing penalties when it fails to deliver its return by the due filing date.

The filing date would normally be 12 months after the end of the accounting period covered by the return, e.g. if your company's year end is 31 December 2003, then you must file your corporation tax return by 31 December 2004.

If the accounts are filed late, then a flat rate penalty is calculated at the rate of £100 where the return is delivered up to three months late and £200 in any other case.

In addition, further penalties may be charged where three or more consecutive returns are delivered late, at rates up to £1,000.

You will also be charged tax related penalties where the company fails to deliver a return within 18 months after the end of the period covered by the return.

These tax related penalties are charged at the rate of 10% of unpaid tax where a return is delivered within two years and 20% of the unpaid tax in any other case.

### Vat Penalties

Penalties are charged for late or incorrect VAT returns.

A default surcharge of between 2% and 15% of the VAT payable is charged where returns are late.

A penalty of 15% is charged for serious or persistent misdeclarations.

A penalty of 5% and 15% is charged where a person or company is late in registering for VAT.

Interest can also be charged on VAT paid late.

### Companies House Penalties

You are required to file your company accounts within ten months of the accounting date, e.g. accounts for the year ended 31 December 2003 must have been filed at Companies House by 31 October 2004.

Penalties for late filing are as follows:

Three months or less: £100 Three months and one day to six months: £250 Six months and one day to twelve months: £500 More than twelve months: £1,000

### Income tax Penalties

As a limited company director, you will almost certainly be required by the Inspector of Taxes dealing with your personal tax affairs to submit income tax returns.

The personal tax return must be filed by 31 January following the year of assessment, e.g. your tax return for the year ended 5 April 2004 must be filed by 31 January 2005.

If you don't send in your tax return by the deadline, you will have to pay an automatic fixed penalty of £100.

If you still haven't sent it back within six months after the deadline, you will have to pay another £100, although these fixed penalties cannot exceed the amount of the tax due.

In addition to the fixed penalties above, you also have to pay interest on any tax not paid by 31 January and on late payments on account. The rate charged is 5% on any tax not paid by 28 February and a further 5% on any tax not paid after 31 July.

### **How can these penalties be avoided?**

Avoiding penalties on corporation tax, VAT and Companies House return is easily done by taking an umbrella company solution, rather than having your own limited company.

If you must have your own limited company, then there is no escaping keeping up to date with all of the various returns and dates for which you are responsible.



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A good accountant will lessen the burden for you but it will always be your responsibility to ensure that he/she has all the information needed to complete the returns for you, since you are the company director and ultimately the buck (and fines) stop with you.

Published: Wednesday, June 21, 2006

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