



## **NEW VAT PENALTY REGIME**

A new, and arguably fairer, system for determining penalties for late returns and late payment of VAT applies to return periods commencing on or after 1 January 2023. The same system will also apply to the returns to be submitted under MTD for income tax, when it eventually starts!

Under the new regime, taxpayers will accumulate points for late submissions, and only after reaching a certain threshold will an automatic penalty be imposed. The threshold will depend on how regularly the taxpayer is required to submit a return. For a typical business submitting VAT returns quarterly an automatic £200 penalty will apply when 4 penalty points are accumulated. The system is designed to penalise persistent defaulters rather than those businesses that have an occasional lapse.