HMRC HAS WITHDRAWN VAT652 CHECK HOW TO TELL HMRC ABOUT VAT RETURN ERRORS

HMRC have withdrawn form VAT652. Companies with large VAT return errors must now submit corrections online or in writing. Larger VAT return errors are entered as method 2 type corrections, whereas method 1 is used when correcting smaller errors.

METHOD 1

Smaller VAT return errors can be corrected by making adjustments to the current VAT return. This is known as method 1, and it can be used where:

- The net error (along with any errors in the previous four years) total less than £10,000. For example, if output VAT has been underpaid by £11,000, but input VAT has been underclaimed by £2,000, then the net error is £9,000 and can be corrected using method 1; or

- The net error is between £10,000 and £50,000, and also less than 1% of the output figure for the current VAT return. So, if outputs are £2.5 million, a net error of up to £25,000 can be corrected using method 1. For most businesses, however, only the £10,000 limit will be relevant.

Late payment interest will not be charged, and, provided reasonable care has been taken, there will not be a penalty.

METHOD 2

With the withdrawal of form VAT652, errors that are too large for method 1 to be used must now be corrected online; although it is also possible to notify HMRC in writing. This is method 2, which will incur a late payment interest charge. Companies notifying HMRC of a large VAT return error must include information about how it happened and across which VAT period(s).

PENALTIES

A penalty will be charged if an error has been made as a result of being careless, or where the error is due to deliberate behaviour. A careless error can still be corrected using method 1, although HMRC must also be informed of the error. A deliberate error must always be corrected using method 2.

HMRC's guidance on correcting for VAT errors can be found here.

WE CAN HELP

If you need any further information, contact us on **01753 888 211** or email **info@nhllp.com**. We are here to help.