



TC02935

Appeal number: TC/2012/05017

TYPE OF TAX – PAYE – late submission of Employer’s Annual Return – whether scale of penalty is reasonable , and whether penalty is unfair and should be reduced - Decision of Upper Tribunal in Hok Ltd applies. Whether reasonable excuse for late submission of return - No.

**FIRST-TIER TRIBUNAL
TAX CHAMBER**

CROFT HOUSE ASSOCIATES LIMITED

Appellant

- and -

**THE COMMISSIONERS FOR HER MAJESTY’S
REVENUE & CUSTOMS**

Respondents

**TRIBUNAL: PRESIDING MEMBER PETER R. SHEPPARD
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The Tribunal determined the appeal on 22 August 2013 without a hearing under the provisions of Rule 26 of the Tribunal Procedure (First-tier Tribunal)(Tax Chamber) Rules 2009 (default paper cases) having first read the Notice of Appeal dated 19 April 2012 with enclosures, and HMRC’s Statement of Case submitted on 20 June 2013 with enclosures. The Tribunal wrote to the Appellant on 1 July 2013 indicating that if they wished to reply to HMRC’s Statement of Case they should do so within 30 days. No reply was received.

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DECISION

1. Introduction

5 This considers an appeal against a penalty of £500 levied by the respondents for the late filing by the appellant of its Employer Annual Returns (forms P35 and P14) for the year 2010 – 2011. By a direction of the Tribunal dated 2 May 2012 the appeal was stood over until 60 days after the issue of its decision by the Upper Tribunal (Tax & Chancery Chamber) in the matter of Hok Ltd. That decision was released on 23 October 2012.

10 2. Legislation

Income Tax (PAYE) Regulations 2003, in particular Regulations 73 and 205.
Social Security (Contributions) Regulations 2001 in particular Schedule 4 Paragraph 22.

15 Taxes Management Act 1970, in particular Section 98A(2) and (3); Section 100; Section 100B; and Section 118 (2).

3. Case law

HMRC v Hok Ltd. [2012] UKUT 363 (TCC)

4. Facts

20 Regulation 73(1) of Income Tax (PAYE) Regulations 2003 and Paragraph 22 of Schedule 4 of Social Security (Contributions) Regulations 2001 require an employer to deliver to the respondents a complete Employer Annual Return (Forms P35 and P14) before 20 May following the end of the tax year. In respect of the year 2010-2011. The appellant failed to submit Forms P35 and P14 until 2 October 2011. On 26
25 September 2011 the respondents sent the appellant a late filing penalty notice for £400 for the 4 month period 20 May 2011 to 19 September 2011. On 5 October 2011 the respondents sent the appellant a final late filing penalty notice for £100 for the period 20 September 2011 to 2 October 2011.

30 5. In the Notice of Appeal and correspondence provided the appellant acknowledges that the return was late because of an oversight and that a fine is appropriate. However its appeal is against the scale of the penalty. The penalty for a late return is £100 per 50 employees for each month or part month that the return is outstanding.

35 6. The appellant considers a penalty of £100 is appropriate but argues that because HMRC did not advise the oversight for 4 months it is faced with a penalty of £400 more than it would have been if HMRC had levied the initial £100 penalty promptly. The appellant considers the penalty is disproportionate and asks the Tribunal to reduce the level of it to £100. In the Notice of Appeal the appellant considers his arguments are supported by the reasoning of the First-tier tribunal in its decision in
40 the case of HOK Ltd. However that decision was later overturned on appeal.

7. The appellant also states “HMRC have recently relented regarding the process for issuing penalty notices for late P35 PAYE Returns for 2011-12 and have therefore seen reason for themselves. This can only underline the unfairness of the penalty”.

5 8. The appellant offers no excuse for the late return other than it being an oversight.

9. The level of the penalty; whether the respondent’s failure to send a prompt reminder was unfair; and the respondent’s updated procedures are all covered in the decision of the Upper Tribunal in the case of Hok Ltd. That decision also considers whether the jurisdiction of the First-tier Tribunal includes the ability to discharge a penalty on the grounds of unfairness. At Paragraph 36 of that decision it states “...the
10 statutory provision relevant here, namely TMA s 100b, permits the tribunal to set aside a penalty which has not in fact been incurred, or to correct a penalty which has been incurred but has been imposed in an incorrect amount, but it goes no further. ...it is plain that the First-tier Tribunal has no *statutory* power to discharge, or adjust a
15 penalty because of a perception that it is unfair.”

10. The level of the penalties has been laid down by parliament. The only other consideration that falls within the jurisdiction of the First-tier Tribunal is whether or not the appellant has reasonable excuse for his failure as contemplated by the Taxes Management Act 1970 Section 118(2) and in this respect the appellant has
20 acknowledged their oversight and not given any excuse for it.

11. It would only be in the most exceptional circumstances that the First tier tribunal would come to a conclusion that differs from a previous decision of the Upper Tribunal. The Tribunal considers that there are no such exceptional circumstances in this case. The respondents have applied the legislation correctly and
25 calculated the amount of the penalties accurately for the periods 20 May 2011 to 19 September 2011 (£400) and 20 September 2011 to 2 October 2011 (£100). The appellant has offered no reasonable excuse for the late submission of the Employer’s Annual Return (Forms P35 and P14). Therefore the appeal is dismissed.

12. This document contains full findings of fact and reasons for the decision. Any party dissatisfied with this decision has a right to apply for permission to appeal
30 against it pursuant to Rule 39 of the Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009. The application must be received by this Tribunal not later than 56 days after this decision is sent to that party. The parties are referred to “Guidance to accompany a Decision from the First-tier Tribunal (Tax Chamber)”
35 which accompanies and forms part of this decision notice.

PETER R. SHEPPARD
TRIBUNAL PRESIDING MEMBER

40 **RELEASE DATE: 02 October 2013**