



## Compliance penalties: Companies and Other Entities

# Fact Sheet

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### About compliance penalties

We've asked you to read this factsheet because our findings suggest that the declarations made for the years under review were inaccurate. Revenue Jersey can apply civil penalties when an inaccurate declaration has been made. The penalty amount for income tax is largely based on the type of compliance behaviour that caused the additional tax liability.

This factsheet sets out guidance on charging compliance penalties when an inaccurate declaration for income tax is discovered. As guidance, it does not cover every eventuality.

### If you need help

If you have any health or personal circumstances that may make it difficult for you to respond to these proposed penalties, please tell the officer who's contacted you. We'll help you in whatever way we can.

### When will Revenue Jersey not charge a penalty for an inaccuracy

Revenue Jersey recognises that mistakes can happen and that penalties are not always the most appropriate way of dealing with an inaccurate declaration.

Taxpayers who have taken reasonable care with their original submission and who make an innocent error will not be subject to a penalty.

Reasonable care means a taxpayer must take the same care that a reasonable person in the same circumstances would take.

## When Revenue Jersey may charge civil penalties for an inaccurate declaration

We may charge a penalty if you or your tax agent provided inaccurate information to Revenue Jersey.

The inaccuracy is in respect of income tax. Some common examples where a penalty might be payable include:

- Omitting or understating income;
- Overstating a claim for an allowance, deduction, or relief;
- Providing other inaccurate information that has a bearing on a tax liability;

If you've asked someone else, such as an employee or tax agent, to do something on your behalf, you should have done as much as you could to make sure that an inaccuracy did not occur. If you did not do this, we may charge you a penalty.

## How we calculate the penalty

To calculate the penalty for an inaccurate declaration, Revenue Jersey considers:

- whether the inaccuracy was due to the behaviour of the company/entity that may be considered to be careless or deliberate;
- the amount of tax lost; and
- whether there are any circumstances that would allow the penalty to be reduced.

### Careless or deliberate behaviour

An inaccuracy may occur despite the company/entity taking reasonable care or as a result of carelessness or deliberate behaviour.

Compliance penalties are not levied when a company/entity has taken reasonable care.

If the company/entity failed to take reasonable care to get things right, by definition it may be considered that it has been careless, at a minimum.

In some cases, the company/entity may make the same or similar errors a number of times. This might also suggest deliberate behaviour. In the absence of deliberate behaviour, this is categorised as repeated careless behaviour which attracts higher maximum penalties and does not affect the minimum penalty available.

Deliberate behaviour is where the company/entity has or is expected to have knowledge of an inaccuracy contained within a return or document upon submission to Revenue Jersey.

In general, higher penalties are reserved for the most serious cases e.g., where a taxpayer has deliberately tried to reduce their liability to pay tax by providing inaccurate information to Revenue Jersey.

### Minimum and maximum standard penalties

Behaviour	Minimum	Minimum (with UNPROMPTED voluntary disclosure)	Maximum	Maximum for repeat case
Reasonable care	0%	0%	0%	0%
Careless	10%	0%	30%	45%
Deliberate	50%	30%	100%	150%

### Calculating the penalty

The penalty is applied to the difference between the tax chargeable on the inaccurate statement and the tax that would be chargeable if the statement were correct.

#### **Example:**

As an electrician who runs his own small company, Graham works long hours during the week, and works over most weekends. He also has a young family. When submitting the company tax return, Graham forgets to enter the bank interest. After being challenged, he claims that he forgot because he is always extremely busy.

Although Graham has a demanding work and home life, these are not circumstances that are unique to him, and do not warrant special treatment. Graham knows he is busy, so he must devote adequate time to tax affairs or seek professional advice.

If the difference between what should have been declared and what was declared on the company's returns was £10,000 and if the business was found to have been careless, the maximum penalty of 30% would be: £10,000 x 30% = £3,000.

### Reducing the penalty

There is no obligation on Revenue Jersey to reduce the maximum penalty. However, this guidance describes how Revenue Jersey will normally exercise its discretion.

The starting point when calculating a penalty is the maximum allowed by law. Most taxpayers can reduce their penalty by making a quality disclosure which is made in a timely manner, with high levels of co-operation and assistance as well as providing sufficiently detailed disclosures that allow Revenue Jersey to quickly conclude the compliance review.

The percentage penalty cannot be reduced below the minimum level.

### **If you disagree**

If you do not agree with the proposed penalties, please tell us, with supporting evidence, if applicable, by the due date contained in the letter of findings for further consideration.

You can appeal against the penalty notice within 40 days.

### **Your principal rights and obligations**

Our 'Customers' Charter' explains what you can expect from us and what we expect from you. For more information, go to [About Revenue Jersey \(gov.je\)](https://www.gov.je)

### **Compliance penalties that this factsheet relates to**

This factsheet relates to compliance penalties for the following:

Income Tax (Corporate) and Income Tax Instalment System (ITIS)