M46 <u>PENALTIES FOR NON-SUBMISSION OF PERSONAL/COMPANY TAX RETURNS</u> (sections 68 and 190)

The Director has the power to impose a financial penalty on a taxpayer who is required to submit a tax return, if they don't submit it within the relevant time limit. This applies to both individuals and companies. The maximum initial penalty is £300, with a continuing daily penalty of a maximum of £50, for each day that the return remains outstanding after the initial penalty has been imposed.

The process is automated, meaning that the Revenue Service computer system will identify taxpayers whose returns have not been submitted by the due date and a penalty will be imposed in all of those cases. The way in which the process will work, and the relevant time limits, are set out at the end of this Statement.

Taxpayers should be aware that the Director also has the power to request a prosecution of a person who does not submit a return, where one is required, and this could result in a fine and/or imprisonment. Clearly, however, this power will be used proportionately, for example where returns are outstanding for several years.

In parallel with the automated penalty system, the Director has considered ways in which the processing of taxpayers' liabilities can be simplified, for example:

- those individuals who have relatively simple tax affairs (for example employment income subject to ETI deductions only) no longer need to complete a return on an annual basis, if they have been sent a letter confirming that from the Revenue Service, (although they will be required to notify and submit a return if their circumstances change), and

- by increasing on-line facilities, including enhancing the potential for automatic assessing for those who submit their returns on-line.

Generally, the timings for the issue and completion of returns and the imposition of penalties will be as follows, however the Director may delay the issue of a return or alter the latest date for its submission. If this happens the website will be updated with the relevant details:

March/April (The 2020 return was made available from May 2021)	Returns relating to the income of the previous year become available for completion. The default option for filing by individuals is on-line (go to my.gov.gg), although paper forms will be available for collection from Edward T Wheadon house or by printing from the Revenue Service website. A notice will be placed in *La Gazette Officielle*, requiring all relevant persons to complete their tax return, and showing the deadline date. For companies, on-line filing will be mandatory.
28 February following	Deadline for the completion of returns.

March	Initial penalty imposed for all cases where the return has still not been received.
April	Continuing penalties will be imposed for each further day that the return remains outstanding, if it is not submitted within 30 days of the initial penalty being imposed. The legislation provides, however, that the maximum penalty shall not exceed £50, if the taxpayer proves that they would not have been liable to pay any income tax if the return had, in fact, been submitted on time. This does not apply to companies. Companies filing a certificate 1, 2 or 3 return will be subject to the initial and continuing daily penalties.

Please note that the above calendar will also be followed for the constituent entity notification required under Country by Country reporting. Please refer to www.gov.gg/cbcr for further information, including details on the calendar and penalties applicable for full Country by Country reporting.

To be valid, and to avoid a penalty being imposed, a return has to be fully completed, which means all the sections of the return have been completed and, where relevant, supporting documentation such as accounts/income tax computations and information required, has been supplied. A return with sections containing estimates and entries such as “accounts to follow” or “to be advised” would not be considered a fully completed return and the return would only be considered fully complete once the additional information has been provided.

A company tax return should be submitted with, where appropriate:

- the company’s accounts and tax computations,
- a Statement of Shareholders’ Assessable Income for each beneficial member,
- a distribution report for the year,
- a reconciliation between the Statement of Shareholder’s Assessable Income, the distribution return and the company’s accounts and income tax computations, and
- a reconciliation of the wages/salaries shown in the accounts to the company’s ETI return (apart from where the only difference relates to social security contributions).

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