

Nothing to declare?

Downsizing business operations is a perfectly acceptable response to economic pressures, and this may lead to an absence of activity for a certain period of time. This could have been the likely experience of many businesses subject to recent lockdown restrictions.



Unfortunately, the obligation to file returns to HMRC does not end if there are no transactions to report on these returns. Three areas where this may occur – and there may be more – are:

- Filing VAT returns
- Filing payroll returns
- Filing CIS returns

This may seem to be over the top, and slightly ridiculous, but the obligation is twofold - to declare any liability and secondly - to file a return to advise HMRC of the amount due (or not due). The fact that there may be no liability to report to does not relieve the responsibility to file a nil return.

Our reason to highlight this issue is that failure to make the required nil return will lead to penalties being applied.

For example, a contractor that is registered under the CIS regulations – to report and pay over any deductions from sub-contractor payments – will be required to submit a monthly return. If a month is skipped because no payments to sub-contractors was made, then HMRC will automatically send a £100 late filing penalty.

HMRC has legislated that the obligation to file a return is, of itself, a requirement that needs to be taken seriously, notwithstanding that there may be no liability to report, and failure to file nil returns will trigger late filing penalties.

Looking at this matter from HMRC's point of view, you know that there is no liability but the only evidence that HMRC has is that you have failed to file (and possibly are avoiding payment of liabilities). In which case, where it is determined that you make monthly, quarterly, or annual returns to HMRC, make sure that nil returns are submitted by the due dates. As far as reporting to HMRC is concerned - there is no such thing as nothing to declare.

If you have any questions or queries regarding this, please speak to your accountant.