

Notes

1 What is this form used for?

When you find you have made an error(s) in a previous VAT return you must tell HM Revenue & Customs (HMRC) and can use this form to do so. You can include the net value of the adjustment in the VAT return for the period of discovery if the net value of the errors does not exceed the greater of:

- £10,000, or
- 1% of the box 6 figure required on the VAT return for the period of discovery, subject to an upper limit of £50,000.

If you have included, or intend to include, the adjustment in the VAT return for the period of discovery then you should insert 'Yes' in the box marked '**Adjusted in VAT return**' to indicate this.

This form can be used to disclose careless and deliberate inaccuracies. It is entirely up to you to decide whether to provide HMRC with information about the circumstances that gave rise to an understatement of tax. However, in calculating the amount of any penalty that may be due we will take into account the completeness of your explanation and the extent to which you help us quantify the error.

2 How to use this form

You should give details by VAT period ('**Period reference**') of any underdeclarations and overdeclarations. Amounts payable to us should be rounded down to the nearest pound. Amounts payable to you should be rounded up.

Put errors arising from input tax on separate lines from those arising from output tax. Indicate in the '**Type reference**' box which are output tax and which are input tax errors by inserting '0' for output and '1' for input tax errors.

3 Do not use this form for the following:

- the annual adjustment required by some retail schemes
- any adjustments required on ceasing to use a retail scheme
- the use of an approved estimation procedure
- claims for bad debt relief
- adjustments arising from credit and debit notes
- adjustments made under the capital goods scheme
- partial exemption standard method or annual adjustments
- adjustments related to exports and intra-EC supplies, as detailed in Notice 703, Section 9.

These are normal accounting adjustments and you should make them in accordance with the rules governing the relevant adjustment and show them separately in your VAT account. However, you can use this form if you made the original adjustment incorrectly or at the wrong time.

4 Default Interest

We will normally charge interest if the charge represents commercial restitution. By this we mean the compensation required when we have been deprived of an amount of VAT for a period of time as a result of an underdeclaration of the amount of tax due on a VAT return, where none of that tax is recoverable by a third party as if it were input tax.

If you consider that charging interest for an error would not represent commercial restitution, then you should insert 'No' in the box marked 'Interest' to indicate this. Guidance to help you decide if interest is due is available in Notice 700/43 *Default Interest*. If you do not complete this box you may be charged interest. Remember, that if you insert 'No' and we later find that interest is due, the amount we then charge will be greater.

5 How to pay

You will be sent a 'Value Added Tax Notice of Error Correction' confirming the amount of your disclosure and any interest calculated on it. You will also get a 'Statement of Account' showing the current balance including interest payable to HMRC and details of how to make your payment.

6 Further advice

You can find out more about these procedures in Notice 700/45 *How to correct VAT errors and make adjustments or claims* which is available on our website or the Helpline on **0845 010 9000**.

Caution

Although it may benefit you in certain circumstances to wait until the end of the current accounting period before deciding if you must tell us about the errors, remember, the longer you delay the more interest you may have to pay. If there are errors which you have not disclosed and we discover them, you could incur a penalty. To avoid this you must disclose correctly, full details of the errors before we start making enquiries.