



## VAT penalty regime has changed from 1 January 2023

A change to penalties for VAT returns that are submitted late and VAT which is paid late came into effect from 1 January for VAT accounting periods starting on or after 1 January 2023. At the same time, HMRC has confirmed that the new way interest is charged has also changed.

Penalties for late filing even for nil returns now start at £200.

The VAT default surcharge is being replaced by new penalties for returns that are submitted late and VAT which is paid late.

These changes affect everyone who submits VAT returns, including a nil or repayment return.

The new late submission penalties work on a points-based system. For each return submitted late a taxpayer will receive a penalty point.

Once the penalty point threshold is reached, the taxpayer will receive a £200 penalty and a further £200 penalty for each subsequent late submission while at the threshold.

If a company submits their VAT return quarterly, this means their penalty point threshold is four.

The penalty point threshold is set by the business' accounting period. The threshold is the maximum points that can be received.

Accounting period	Penalty points threshold
Annually	2
Quarterly	4
Monthly	5



If a company has an agreement with HMRC to use non-standard accounting periods, different rules apply.

Accounting period	Penalty points threshold	Rules that apply
Over 20 weeks	2	Annual
Over 8 weeks and no more than 20 weeks	4	Quarterly
8 weeks or less	5	Monthly

If a taxpayer takes over a VAT-registered business as a 'going concern' any penalty points built up by the business will not be transferred to your VAT registration number. This will be the case even if the VAT registration number is transferred from the previous owner to the new owner.

If the representative member of a VAT group changes, any penalty points they have built up are transferred to the new representative member.

The late submission penalty rules do not apply to:

- **first VAT return if you're newly VAT registered;**
- **final VAT return after VAT registration is cancelled; and**
- **one-off returns that cover a period other than a month, quarter or year.**