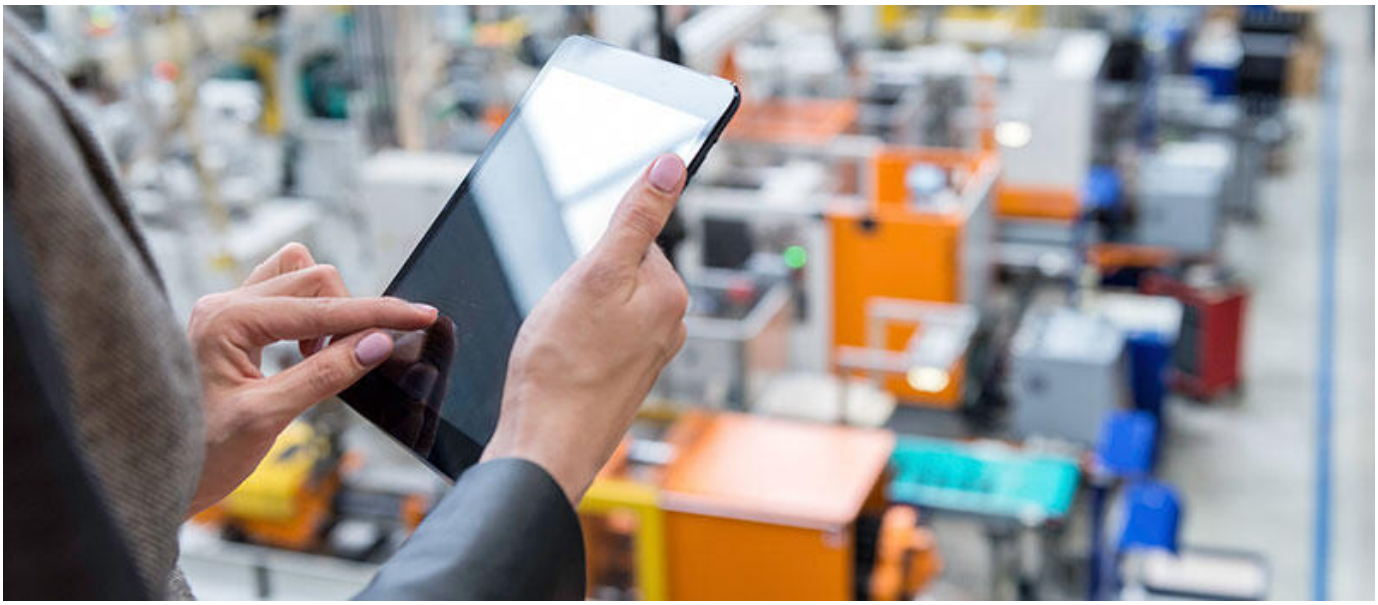
VAT and error corrections

Indirect Tax



23 April 2025

The CIOT has been considering opportunities to simplify and/or improve VAT's error correction procedures and declaration routes. As part of its membership of the Joint VAT Consultative Committee and its sub-groups, the CIOT can submit its suggestion directly to HMRC for consideration.

These are some ideas that we have considered recently.

Thresholds

If businesses find errors in their VAT records, they can declare the correction amounts in the next VAT return only where the balancing value of such errors is below specific thresholds, calculated by adding all under and over declarations made in the previous four years, and comparing the balance due or repayable to HMRC with the thresholds. The amount can be corrected in the next VAT return if it is:

- less than £10,000; or

- if between £10,000 and £50,000, it is less than 1% of the total Box 6 outputs figure in the VAT return period where the error was discovered.

However, these thresholds do not apply to deliberate errors, which must be separately disclosed to HMRC and must be excluded from other error calculations.

The current error correction thresholds have been in place for VAT accounting periods that began on 1 July 2008 or later, so almost 17 years. Whilst it is unlikely that HMRC would change to an annual threshold review for error corrections, it would seem reasonable to undertake an uplift each decade or so. If we apply the Consumer Price Index from 2008 to the current day, the thresholds would be approximately £16,000 and £83,000. Increasing the thresholds for error corrections to be made via the next VAT return would reduce the amount of error correction declarations for both businesses and HMRC, reducing costs and resource time.

For further information, see VAT notice 700/45 ‘How to correct VAT errors and make adjustments or claims’ (see tinyurl.com/euazsdjc) or Regulation 34 to VAT Regulations 1995.

Method of declaration issues

Outside of the VAT return, there are three ways to declare an error correction of VAT:

- the online portal in the Government Gateway;
- VAT Form 652, which can be emailed or posted; and
- a long form written submission.

We discussed the reasons why businesses decide to opt out of using the online portal, which was mainly due to difficulties and the format of some questions, including identifying the date of error; that is, is it the first day the error was found, or later when the final figures are known/approved? There are also limited text boxes to provide explanations for complex errors.

Administration issues

The main issue was the difficulty of the timing of the payment to HMRC and we would like it to be easier to pay at the time of declaration without other administrative issues arising. As default interest is added to error corrections where

a balance is due to HMRC, some businesses want to pay at the same time as making the declaration, particularly where the error is a large amount. However, this can result in an automatic refund or various misallocation issues which take resource time and costs to resolve.

Get involved

If members are aware of other error correction issues or have simplification or improvement suggestions, we would be interested in hearing from you. Please contact technical@ciot.org.uk.

Jayne Simpson *jsimpson@ciot.org.uk*