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HMRC have withdrawn form VAT652. Companies with large VAT return errors must now submit corrections online or in writing. Larger VAT return errors are entered as method 2 type corrections, whereas method 1 is used when correcting smaller errors.

Method 1

Smaller VAT return errors can be corrected by making adjustments to the current VAT return. This is known as method 1, and it can be used where:

- The net error (along with any errors in the previous four years) total less than £10,000. For example, if output VAT has been underpaid by £11,000, but input VAT has been underclaimed by £2,000, then the net error is £9,000 and can be corrected using method 1; or
- The net error is between £10,000 and £50,000, and also less than 1% of the output figure for the current VAT return. So, if outputs are £2.5 million, a net error of up to £25,000 can be corrected using method 1. For most businesses, however, only the £10,000 limit will be relevant.

Late payment interest will not be charged, and, provided reasonable care has been taken, there will not be a penalty.

Method 2

With the withdrawal of form VAT652, errors that are too large for method 1 to be used must now be corrected online; although it is also possible to notify HMRC in writing. This is method 2, which will incur a late payment interest charge. Companies notifying HMRC of a large VAT return error must include information about how it happened and across which VAT period(s).

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Penalties

A penalty will be charged if an error has been made as a result of being careless, or where the error is due to deliberate behaviour. A careless error can still be corrected using method 1, although HMRC must also be informed of the error. A deliberate error must always be corrected using method 2.

HMRC's guidance on correcting for VAT errors can be found [here](#).

We can help

If you need any further information, contact us on **01753 888 211** or email info@nhllp.com. We are here to help.