

Late-paying taxpayers landed with £816m in fines

HMRC raised £816m in fines in 2018-19, up from £620m in 2015-16, an increase of 32% according to data obtained by Price Bailey.

This is a much faster rate of increase than the amount of tax collected by HMRC, which has increased by 19.2% from £495bn to £590bn over the same period.

Price Bailey says the amount of data on taxpayers at HMRC's disposal, and its ability to analyse that data, has significantly increased in recent years, largely as a result of improvements to its Connect software system, which now has enhanced capability and wider access to data sources.

Jay Sanghrajka, tax partner at Price Bailey, said: "The amount issued in fines is increasing at a much faster rate than the amount collected in tax, which means that HMRC is fining a higher proportion of taxpayers and using new powers to impose substantially heavier penalties.

"The amount of data HMRC collects and cross-references allows it to form a more complete understanding of taxpayers' liabilities. This means that HMRC can challenge a greater number of taxpayers at a significantly lower cost.

"Discrepancies now come to light much sooner. Its software can automatically check information reported in tax returns against bank accounts and make sure they tally. Previously, checks of this kind would have been time-consuming but HMRC's software can spot any inconsistencies swiftly and flag those for further investigation."