



Managing Serious Defaulters

This factsheet contains information about when we may monitor the tax affairs of people who deliberately get them wrong.

This factsheet is one of a series. For the full list of factsheets in our compliance checks series, go to www.gov.uk and search 'factsheets'.

If you need help

If you have any health or personal circumstances that may make it difficult for you to deal with this matter, please tell the officer that's contacted you. We'll help you in whatever way we can.

What we mean by 'serious defaulters'

For the purposes of the Managing Serious Defaulters' programme, a serious defaulter is a person who meets one of the criteria listed below. They have been:

- charged a penalty because of their deliberate behaviour
- identified, during a Civil Investigation of Fraud, as presenting a continuing high risk to HM Revenue and Customs (HMRC)
- successfully prosecuted by the Director of Revenue and Customs Prosecutions, or another prosecuting authority, for a tax matter
- charged a Civil Evasion penalty for dishonesty
- required to give, and have given, security to HMRC as a guarantee against potential future default
- successfully pursued, by an Insolvency Practitioner, for a claim on behalf of HMRC for recovery of money or assets

What we do if you are a serious defaulter

If you are a serious defaulter, as well as:

- charging you any tax, late payment interest and penalties that are due
- asking you to give us financial security if there is a high risk that you will not pay what you owe

we may also decide to monitor your tax affairs more closely. We will do this through our enhanced monitoring programme called Managing Serious Defaulters. We may also publish your details if what you did or what you failed to do was deliberate. You can find more information about this in factsheet CC/FS13, 'Publishing details of deliberate defaulters'. Go to www.gov.uk and search 'CC/FS13'.

Why we monitor serious defaulters

There is a high risk that serious defaulters may continue to deliberately or dishonestly get their tax affairs wrong or not pay what they owe. Once we have identified a serious defaulter, and brought their tax affairs up to date, we want to make sure that in future they take reasonable care to get their tax affairs right. We do this by placing them into our Managing Serious Defaulters programme, where we will closely monitor all aspects of their tax affairs. The aim of the Managing Serious Defaulters programme is to:

- send a clear message that we will actively pursue those who deliberately or dishonestly get their tax affairs wrong or try to get out of paying what they owe
- deter people from deliberately or dishonestly getting their tax affairs wrong or trying to get out of paying what they owe
- reassure the vast majority who do pay the right amount of tax that we are committed to tackling those who deliberately or dishonestly get things wrong or try to get out of paying what they owe

Who we may monitor

We may monitor any individual or business who is a serious defaulter. If a business is a partnership or a company we may monitor:

- the individual partners, directors or officers of the company who are serious defaulters
- the partnership or company if the partners, directors or officers of the company who are serious defaulters could not be specifically identified

In some circumstances, we may monitor the partnership or company as well as individual partners, directors or officers of the company.

If a serious defaulter controls, or has a controlling interest, in any other businesses, or starts a new business, we may also monitor that business. This includes those who start under a new name or in a new capacity, for example, if a sole trader becomes a limited company or directors of an insolvent company start a new company.

If a company or partnership ceases to trade, we may monitor the individuals who had control of it, or a controlling interest in it. We may also monitor the tax affairs of any other business they control or have a controlling interest in.

What we will monitor

What we will monitor will depend on what you deliberately or dishonestly did wrong, and how much of a risk there is that you will continue to deliberately or dishonestly get things wrong or try to get out of paying what you owe.

You will have to meet certain obligations and we will monitor you closely to make sure that you have met them. The obligations will apply to all the taxes we administer and may apply to any businesses you control. You will have to make sure that:

- all returns are complete and accurate and sent to us on time
- all payments and any registrations are made on time

You may also have to meet additional obligations depending on your circumstances. For example, you may have to provide a greater level of detail with future tax returns, such as a detailed balance sheet. We will write to tell you what obligations you have to meet.

In addition to making sure that you have met your obligations, we will scrutinise your tax returns more closely. We will also carry out further reviews to check that any failings that have been identified have been put right. We can monitor your tax affairs in a variety of ways and these will vary depending on whether or not you run a business. They may include:

- making announced or unannounced inspection visits to check your business records or assets relating to your current accounting period
- carrying out a rigorous compliance check into all or any part of your tax affairs

If we find that you have continued to deliberately or dishonestly get things wrong or get out of paying what you owe, we may charge you additional penalties or take criminal proceedings against you.

How and when you will know if we are going to monitor you

If we decide to put you into the Managing Serious Defaulters programme we will write to tell you.

When we write, we will explain what obligations you are required to meet.

We will decide whether to put you into the programme once we have completed any actions we have taken to deal with what you have done wrong.

If you have made a voluntary disclosure of what you deliberately did wrong and we have decided not to carry out a compliance check or other investigation, we will tell you whether we intend to put you into the programme once we have dealt with your disclosure.

If you are criminally convicted for tax offences we will decide whether to put you into the programme after your conviction. We will then write to tell you.

If you have had to give security, or if an Insolvency Practitioner has brought a claim against you for recovery at our request, we will tell you whether we intend to put you into the programme once the security has been given or the claim successfully made.

How long the monitoring will last

We will continue to monitor your tax affairs until we are satisfied that there is no longer a high risk that you will continue to deliberately or dishonestly get your tax affairs wrong, or try to get out of paying what you owe. For most people, monitoring will last for between 2 and 5 years.

When we are satisfied that we no longer need to closely monitor your tax affairs, we will tell you this in writing and remove you from the Managing Serious Defaulters programme.