



PRACTICE NOTE

PN 25/89

Date: 11th September 1989

Assessments - Revised Procedures

General

The Income Tax Act 1989 (the Act) introduced revised procedures for:-

Current Year Assessments

Default Assessments

Additional Assessments

Although the provisions came into force on 12th July, 1989, the default assessment procedure will only be applied to such assessments issued on or after 1st September, 1989.

Current Year Assessments

Section 74 of the Act inserts a new Section 83A into the Income Tax Act 1970 enabling the Assessor to estimate to the best of his judgement how much income will arise during a year of assessment and include that estimate in an assessment to be issued before the end of that year of assessment. The whole of the tax charged is due and payable notwithstanding that part of the income is only estimated. There is a specific requirement for the assessment to be revised after the year end when the actual income is known. The collection procedures set out in [Practice Note 18/88](#) dated 1st September 1988 will now no longer apply.

Default Assessments

a) Introduction:-

The legislation on default assessments has been amended by Section 75 of the Act. In future a default assessment is to be treated as final and conclusive and the income tax charged as payable even though an application for extension of time may have been made and accepted. Where a return form is submitted in accordance with the extension of time and the default assessment is revised, the new assessment is deemed to have become due and payable on the same date as the original default assessment. This amendment will apply to all default assessments issued on or after 1st September, 1989.

b) Interest on late payment:-

It is important to remember that interest on late payment will be calculated from the thirty first day after the due and payable date created by the default assessment regardless of whether an application for extension of time has been made and accepted. If the revised assessment shows a tax liability greater than the amount paid on the default assessment interest on late payment will be calculated from the thirty first day after the due and payable date created by the default assessment and not the revised assessment. If the revised assessment shows a tax liability less than the amount paid on the default assessment a repayment will be made after taking into account any interest charges or other arrears.

c)	Examples :-
i)	REVISED ASSESSMENT GREATER THAN DEFAULT ASSESSMENT - 89/90
a)	Default assessment issued 30th October 1989 Tax charged £1000; due and payable date 1st January 1990.
b)	Revised assessment issued 5th March 1990 Tax charged £1500; deemed due and payable date 1st January 1990.
c)	Interest will be calculated on the whole or part of the £1500 from 1st February 1990 even though the default assessment was only bringing into charge income tax of £1000.
ii)	DEFAULT ASSESSMENT GREATER THAN REVISED ASSESSMENT - 89/90
a)	Default assessment as above
b)	Revised assessment as above but tax charged £500
c)	Date from which interest to be calculated on late payment of all or part of the £500 will be 1st February 1990.

Additional Assessments

Two changes have been introduced by Section 77 of the Act.

a) Error or mistake - Section 101 of the 1970 Act has been amended to make It clear that it only applies to an error or mistake in the preparation or production of an assessment and does not extend to an error or mistake in a Return.

b) Assessment arising out of fraud or neglect - Section 111 of the 1970 Act has also been amended to remove any doubt that such an assessment may be made at any time and is not limited by the normal six year rule.

Any enquiries on the above subjects should be made to the Income Tax Division and marked for the attention of the Technical Officer.