



HM Revenue
& Customs

Freedom of Information Team
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Newcastle Upon Tyne
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By email: [REDACTED]

Email foi.request@hmrc.gov.uk

Web www.gov.uk

Date: 9 July 2022
Our ref: FOI2022/26092

Dear [REDACTED]

Freedom of Information Act 2000 (FOIA)

Thank you for your request, which was received on 11 June, for the following information:

“I am interested in data showing the relationship (if any) between penalties charged to individual taxpayers and the income levels of those taxpayers.

Specifically, for each of the last ten years (or such longer period as you keep records), please provide:

1. the total number of penalties initially charged to individual taxpayers (i.e. not companies), the number of appeals, and the number of successful appeals
2. the same information for each income percentile (i.e. for the 1% of taxpayers with the lowest pre-tax income, the total number of penalties charged to those taxpayers, the number of appeals, and the number of successful appeals; the same for the 2nd percentile, etc etc). Income for this purpose should be that taxpayer's income in the tax year before the penalty was charged. Please use the percentiles from the HMRC survey of personal income, i.e. <https://www.gov.uk/government/statistics/percentile-points-from-1-to-99-for-total-income-before-and-after-tax>. If you are unable to provide percentile data within the cost limit, please use income deciles instead. If you are unable to provide either of those, but HMRC tracks penalties and income levels in some other manner, please provide me such information as you do have.

If HMRC's systems do not currently link penalties with prior year's income, please create a database search that creates that linkage. If you are unable to do that within the cost limit, please undertake a small statistical sample of penalties (e.g. 100 penalties) and manually extract the pre-tax income of each relevant taxpayer for the previous year.

If you are unable to do any of the above, please provide copies of any research notes, emails, correspondence or other documentation created by HMRC personnel and relating to the relationship between penalties charged to taxpayers and the income levels of those taxpayers.”

If you need extra support, for example if you have a disability, a mental health condition, or do not speak English/Welsh, go to www.gov.uk and search for 'get help from HMRC'.
Text Relay service prefix number – 18001

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We can confirm we hold the information you seek. However, providing it would exceed the FOIA cost limit, which for central government equates to one person spending 3½ working days locating and extracting all of the information requested. We have therefore refused your request under [section 12\(1\)](#) of the FOIA.

Although we cannot fully respond to your request, we have answered it to the extent possible within the FOIA cost limit.

The relationship between penalties charged to individual taxpayers and the income levels of those taxpayers is not an area that has been extensively studied previously within HMRC. This is because income is not a criterion linked to the issuing of penalties nor a factor in Key Performance Indicators so there has not been a previous requirement to explore this topic. In your request you stated you were interested in data showing the relationship (if any) between penalties charged to individual taxpayers and the income levels of those taxpayers, so we have interpreted this as indicating your interest is broad and covers any penalties in any tax for which we can provide information.

We are able to provide some information for Income Tax Self-Assessment (ITSA) penalties. Specifically, we can provide figures for Late Submission Penalties (LSPs) and Late Payment Penalties (LPPs), both of which are automated payments and are described below. Unfortunately, other penalties within ITSA come from different systems and cannot be linked to income data within cost limits (as set out in section 12 of the Freedom of Information Act). We are therefore unable to provide any insights for Failure to Notify penalties, behavioural penalties and so forth.

Similarly, data on appeals is not routinely collated and is held separately to the database from which these penalties are monitored. Consequently, we are not able to provide any information on appeals within cost limits, however the penalties set out below include figures pre and post cancellations. Whilst there are technically numerous reasons why LSPs and LPPs can be cancelled; the bulk of these will be customers appealing with reasonable excuses. Further information detailing LSP and LPP penalties and the grounds for reasonable excuse appeals are available online:

<https://www.gov.uk/self-assessment-tax-returns/penalties>

LSP and LPP relationship with individual income

There are numerous penalty types issued under LSPs and LPPs, see link above. This response focuses on the first late submission penalty (PF1) and late payment penalty (LPP1) only; these are the most numerous of these types of penalty and extending to additional penalty types was not possible within cost limits. These penalties are defined further below:

- **PF1 – 1 day first fixed penalty** - £100 penalty issued when individual taxpayers do not submit their self-assessment return on time. Mostly issued shortly after the online filing deadline (31st January). This is an automated penalty for which the only criteria for issuing is whether filing obligations have not been met. This penalty is issued to individuals and does not include partnerships.
- **LPP1 - 30-day Late Payment Penalty** – 5% of the outstanding tax value charged if the taxpayer fails to pay within 30 days of the required payment date. This is an automated penalty for which the only criteria for issuing is whether payment has not been received on time. This penalty is issued to individuals and partnerships.

Analysis was limited to the 2018/19 and 2019/20 tax years due to cost limits.

It should be noted that the first fixed LSP is issued to taxpayers if they do not submit their tax return by the deadline. Where tax returns are not then later submitted, and remain outstanding, there will be no record of that taxpayer's income for the tax year of the return for which the penalty is issued. Therefore, the analysis for LSPs is limited to late filers only; customer who fail to submit their returns by the deadline but go on to submit them after the deadline.

No income data is available for non-filers; customers who fail to submit their returns by the deadline and never submit their return for that tax year. This limitation is less prevalent for LPP recipients as the two penalties are independent and so LPPs can be charged for taxpayers who have submitted by the deadline but not paid by the deadline. Table 1 quantifies the proportions of taxpayers for which income was known for each penalty type issued:

Penalty	Tax year			
	2018/19		2019/20	
	PF1	LPP1	PF1	LPP1
Pre Cancellation	41%	97%	30%	94%
Post Cancellation	44%	98%	30%	95%

Table 1 – proportions of taxpayers for which income was known for each penalty issued.

In your request you asked for income breakdowns by percentile or decile and referred to the HMRC survey of personal income regarding which boundaries to use. In this response we have broken income down by deciles, however these have been calculated using the relevant income data from all returns received in each tax year. This is because this response focuses on ITSA taxpayers only and to use the boundaries from the survey of personal income would introduce skewing into the results; the two populations are not equally distributed by income.

Table 2 presents PF1 and LPP1 penalty prevalence by income decile for both tax years. Table 2 shows that for PF1, taxpayers in the lowest two deciles receive the highest proportion of PF1 penalties, though the proportions increase for the highest two deciles as well. This pattern is seen across both tax years and is present for both pre and post cancellation figures, though the figures in Table 2 suggest the differences between income decile are smaller post-cancellations.

Table 2 also shows that the proportion of taxpayers receiving LPP1 generally increases with increasing decile with the trend again consistent across both tax years and pre and post cancellations. It should be noted that there are very few customers receiving LPP1 penalties in the first three income deciles. This is because these deciles correspond to incomes mainly below the personal allowance. However, at any point in time small numbers of customers in the lowest three deciles may have an LPP1 registered for a number of reasons, e.g. compliance activity/stood over penalties. These penalties may be cancelled in the future or the income figure provided/held may be revised.

Deciles	2018/19				2019/20			
	PF1		LPP1		PF1		LPP1	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post
1 st (£0 to £6k)	9.2%	6.3%	0.3%	0.2%	7.5%	4.6%	0.2%	0.1%
2 nd (£6k to 10k)	5.1%	3.8%	0.2%	0.1%	4.1%	2.7%	0.2%	0.1%
3 rd (£10k to £13k)	4.2%	3.1%	0.3%	0.2%	3.2%	2.1%	0.2%	0.1%
4 th (£13k to £18k)	3.5%	2.6%	3.3%	3.0%	2.6%	1.7%	2.8%	2.6%
5 th (£18k to £23k)	3.1%	2.3%	3.8%	3.5%	2.3%	1.6%	3.6%	3.3%
6 th (£23k to £30k)	2.8%	2.1%	4.4%	4.1%	2.1%	1.4%	4.1%	3.8%
7 th (£30k to £40k)	2.6%	1.9%	4.6%	4.2%	2.0%	1.3%	4.4%	4.0%
8 th (£40k to £52k)	2.3%	1.7%	4.8%	4.3%	1.9%	1.3%	4.8%	4.3%
9 th (£52k to £88k)	3.6%	2.5%	6.7%	5.7%	2.4%	1.6%	5.4%	4.7%
10 th (above £88k)	3.7%	2.9%	5.3%	4.4%	2.9%	2.1%	4.5%	3.6%

Table 2 – proportions of taxpayers in each income decile receiving PF1 and LPP penalties for each tax year as shown. Figures are provided both Pre and Post cancellations. Figures provided reflect the position as at June 2022.

If you are not satisfied with our reply, you may request a review within 40 working days of receiving this letter by emailing foi.review@hmrc.gov.uk or by writing to our address at the top.

If you are not content with the outcome of an internal review you can [complain to the Information Commissioner's Office](#).

Yours sincerely,

HM Revenue and Customs