STATUTORY INSTRUMENTS

2025 No. 589

CAPITAL GAINS TAX
INCOME TAX
VALUE ADDED TAX

The Finance Act 2021 (Increase in Schedule 26 Penalty Percentages) Regulations 2025

Made - - - -	*13th May 2025*
Coming into force - -	*31st May 2025*

The Commissioners for His Majesty's Revenue and Customs make these Regulations in exercise of the powers conferred by paragraphs 11(c), (d) and (e) and 22(4) of Schedule 26 to the Finance Act 2021(**1**).

In accordance with paragraph 22(2) of Schedule 26 to that Act, a draft of the instrument was laid before, and approved by a resolution of, the House of Commons.

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Finance Act 2021 (Increase in Schedule 26 Penalty Percentages) Regulations 2025.

(2) These Regulations come into force on 31st May 2025.

(3) These Regulations have effect in relation to a failure to pay the tax due where the specified date(**2**) is on or after 31st May 2025, unless—

(a) the tax due is income tax or capital gains tax that is payable in respect of the tax year 2024-25(**3**) or an earlier tax year, or

(b) the tax due is value added tax that—

(i) is payable by reference to a prescribed accounting period that began before 1st April 2025, or

(**1**) 2021 c. 26.
(**2**) See paragraph 1 of Schedule 26 to the Finance Act 2021 for the meaning of "the tax due" and "the specified date".
(**3**) See section 4(2) and (4) of the Income Tax Act 2007 (c. 3) for the meaning of the expression "tax year" and "the tax year 2024-25" for the purposes of the Income Tax Acts (by virtue of section 989 of that Act) and section 288(1ZA) of the Taxation of Chargeable Gains Act 1992 (c. 12) for the meaning of those expressions for the purposes of enactments relating to capital gains tax.

(ii) has been assessed under sections 80(4A) or 80B of the Value Added Tax Act 1994 (recovery of excess credit)(**4**) in relation to value added tax payable by reference to a prescribed accounting period that began before 1st April 2025.

(4) In this regulation "prescribed accounting period" has the same meaning as in the Value Added Tax Act 1994(**5**).

Amendment of Schedule 26 to the Finance Act 2021

2.—(1) Schedule 26 to the Finance Act 2021 is amended as follows.

(2) In paragraph 5 (first penalty: tax remains due at end of 15 day period)—

(a) in sub-paragraph (4) for "2%" substitute "3%";

(b) in sub-paragraph (5) for "2%" substitute "3%".

(3) In paragraph 8 (second penalty: tax remains due at end of 30 day period), in sub-paragraph (3), for "4%" substitute "10%".

Jonathan Athow
Justin Holliday
Two of the Commissioners for His Majesty's Revenue and Customs

13th May 2025

(**4**) 1994 c. 23. Section 80(4A) was inserted by section 47(6) of the Finance Act 1997 (c. 16) and substituted by section 3(9) of the Finance (No. 2) Act 2005 (c. 22). Section 80B was inserted by section 46(2) of the Finance Act 1997 and amended by section 4(4) of the Finance (No. 2) Act 2005 and by article 3(11) of S.I. 2022/1298.

(**5**) See section 25(1) of the Value Added Tax Act 1994.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations increase the penalties for late payment of tax in Schedule 26 to the Finance Act 2021 ("Schedule 26").

Where tax is not paid within the period of 15 days, beginning with the day after the day on which it fell due, a first penalty is payable under paragraph 5 of Schedule 26. If the tax is then paid, or a time to pay agreement is made, within a 30 day period, these Regulations increase that penalty from 2% of the unpaid tax to 3%. If the tax is not paid in full within the 30 day period, and there is no time to pay agreement, these Regulations increase the penalty from 2% of the tax unpaid at the end of the 15 day period and 2% of the tax unpaid at the end of the 30 day period to 3% of the amounts unpaid at the end of each of those periods.

A second penalty is payable, under paragraph 8 of Schedule 26, on tax which is unpaid at the end of the 30 day period. These Regulations increase that penalty from 4% of the outstanding tax per annum to 10%.

A Tax Information and Impact Note covering this instrument will be published on the website at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins.