

## Taxpayer penalties

Taxpayers who do not meet their tax obligations may face penalty or interest charges. To avoid such charges, you should pay the full amount of tax you owe by the due date.

The main kinds of charges for failing to meet tax obligations are:

- [Interest](#) on the amount of tax you owe if you have underpaid your tax. The interest rates charged are based with reference to market rates
- A [late filing penalty](#) if you do not file a return by the due date
- A [late payment penalty](#) if a payment is not received by Inland Revenue by the date it was due
- A [shortfall penalty](#) where the correct amount of tax is higher than the amount you paid (for example, because of an understatement of tax, or where the amount of a refund or loss is reduced). These penalties can be as high as 150% (for evasion) and may include imprisonment for serious instances of evasion
- [Penalties for employment information](#). If you file employment information but do not pay the correct amount of PAYE, you may have to pay:
  - a non-payment penalty
  - late payment penalties and interest

The non-payment penalty is 10% of the overdue amount. If you still do not pay, another 10% penalty will be added each month an amount remains unpaid. When you pay the unpaid amount or enter into an instalment arrangement, the last 10% penalty given will reduce to 5%.

You can also use solutions such as [tax pooling](#) to manage tax and limit exposure to penalties and use of money interest.

Inland Revenue has discretion to remit interest and penalties where COVID-19 has affected income and a remittance request has been made.

For more information about managing tax, give us a call. For more information about tax penalties refer to [Inland Revenue's Penalties and interest guide](#).