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Missing VAT payments as obvious error in a receipts and payments account

The Supreme Tax Court has held the failure to include the monthly VAT payments as an expense in an annual receipts and payments account to be an "obvious error" to be corrected in an otherwise final assessment.

The tax authorities may correct "clerical, mathematical and similarly obvious errors" in official notices at any time and must do so if in the interests of the taxpayer. By contrast, errors of judgment or interpretation can usually only be corrected if the assessment or other official notice is still open to appeal. The Supreme Tax Court has now ordered a correction to be made to an otherwise final and binding income tax assessment on a sole trader on the grounds that the receipts and payments account submitted in support of the trading income shown on his return contained an "obvious error". This "obvious error" lay in his having forgotten to include his monthly VAT payments in his (cash basis) outlays to be charged against the trading receipts for the year. The tax inspector dealing with the assessment had failed to notice anything amiss and raised the assessment on the basis of the return as filed. This meant that the tax office had accepted the error of the taxpayer as its own. The Supreme Tax Court held the error to have been "obvious" as the annual VAT return filed at the same time had shown the missing payments. The court therefore refused to accept the tax office' description of the lapse as "inadequate investigation" as the alternative to "obvious error". It also refused to accept the tax office' contention that the error was not "obvious", as the VAT payments at issue might have been made in their entirety in different years. Rather, it saw the lapse as nothing more than a "mechanical oversight" calling for correction after discovery.

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