



# MAKING TAX DIGITAL – SANCTIONS FOR LATE SUBMISSION AND LATE PAYMENT

Response by the Association of Taxation Technicians

## 1 Introduction

- 1.1 The Association of Taxation Technicians ('ATT') is pleased to have the opportunity to respond to the consultation document *Making Tax Digital - sanctions for late submission and late payment* ('the Consultation') which was published by HMRC on 20 March 2017<sup>1</sup>.
- 1.2 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.
- 1.3 In sections 2 to 6 below, we respond to the points arising in the Consultation including the specific questions in Chapter order.
- 1.4 Our comments in this submission should be read in conjunction with the more detailed observations made in the course of our discussion of the Consultation with HMRC at a meeting on 20 April ('our Meeting').

## 2 Chapter 2: Late submission penalties – general

- 2.1 Paragraph 2.5 of the Consultation gives its context in the following terms:

'Simply applying the current income tax self-assessment late filing model to Making Tax Digital for Business obligations would result in a penalty being charged straightaway for each failure to meet an obligation. While such a model is simple, the government wants to ensure that a new penalty model does not mechanistically charge large numbers of penalties on those who are trying to comply with new obligations and so such an approach

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<sup>1</sup> The HMRC consultation document is at:

<https://www.gov.uk/government/consultations/making-tax-digital-sanctions-for-late-submission-and-late-payment>

is inappropriate. We want a penalty model that is fair, effective in supporting good compliance, and simple to understand and operate.’

Our comments in this response are intended to support these objectives.

2.2 We note (with emphasis supplied) the indication in paragraph 2.6 of the Consultation that:

‘The government has already confirmed that customers will be given a *minimum* period of 12 months from when they become subject to Making Tax Digital for Business to become familiar with the new obligations before the new late submission penalty comes into effect.’

We reiterate our concern<sup>2</sup> that a bare 12 month period is insufficient and trust that the reference to a *minimum* period of 12 months is in recognition of the fact that taxpayers will need experience of a full cycle of submissions including the relevant final submission in order to acquire the necessary familiarity before late submission penalties come into effect.

2.3 Paragraph 2.7 of the Consultation notes that the new penalty for non-deliberate failures to meet regular submission obligations would ‘apply to individuals and businesses within and outside Making Tax Digital for Business’.

We see significant merit in the new sanction for late submission applying equally to individuals and businesses within and outside Making Tax Digital for Business (‘MTDfB’). We note, however, that this makes it imperative to consider the impact of the proposals on those outside MTDfB including significantly individuals who are unable to engage digitally and businesses with income below the threshold level<sup>3</sup>. In particular, we think that it will be essential to consider how HMRC will communicate with these groups concerning relevant late submissions. It is vital to the objectives of fairness and effectiveness that such groups are not disadvantaged.

2.4 Paragraph 2.8 of the Consultation states:

‘All the models are designed to operate for each tax regime separately. It is the government’s ambition to eventually develop a penalty model that would take account of a customer’s compliance with their regular submission obligations across tax regimes, but not to do so immediately.’

We think that is sensible to introduce the sanctions for each tax regime separately and to defer adoption of a model that takes account of all of a taxpayer’s compliance obligations across tax regimes. However, and without at this stage expressing a view as to whether such an all-regimes compliance model is either practical or desirable, we think that consideration should be given to

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<sup>2</sup> In our response to HMRC’s August 2016 consultation, *Making Tax Digital: Tax Administration*, we said: ‘Given the very radical nature of the proposed changes and in particular the intended imposition of an obligation to keep records in digital form (something which few smaller businesses are likely to be doing already and with which they will therefore struggle .....), we think that the familiarisation period should be a minimum of two years.’ Source: <https://www.att.org.uk/technical/submissions/making-tax-digital-att-comments>

<sup>3</sup> Legislation to provide exemption for both groups from the requirements of MTDfB was included in the original March 2017 Finance Bill (see clause 120 (14) and (15)) but eventually excluded from the truncated pre-election Finance Act.

‘future-proofing’ any provisions so that any future transition to such a model would require as little amendment of the legislation as possible.

We note the particular impact of the ‘each tax regime separately’ decision on the Points-based model (Model A) and comment on this in sections 3.1 and 3.2 below.

2.5 We note the indication in paragraph 2.11 of the Consultation that:

‘There will be a right of appeal against all penalties and the recording of failures that do not, immediately, give rise to a penalty (eg failures that cause the issue of points or that are taken into consideration at the time of the review of compliance).’

The extension of a right of appeal to the recording of failures that do not immediately give rise to a penalty is a very welcome recognition of an important point of principle. It could, however, operate to the disadvantage of a taxpayer if they decided on grounds of cost (including any tribunal fees) not to appeal a recorded failure and HMRC subsequently sought to undermine the reality of any possible reasonable excuse by asking why an appeal was not made at the time.

2.6 In our response<sup>4</sup> to HMRC’s August 2016 consultation, *Making Tax Digital: Tax Administration*, which proposed no right of appeal we said:

‘3.11.2. Notwithstanding our opposition in principle to the *No Appeal* proposal, we have attempted to identify a middle ground as we can see that introducing an appeal process on the occasion of each penalty point would make the points system unworkable.

3.11.3. We think that the solution would be for statute to provide for reasoned objections to be lodged against penalty points (possibly through the provision of an online form with pre-populated reasons for the objection and space to provide supporting detail). In the event of the penalty points accumulating to the threshold level for a penalty, those objections would then be considered before a penalty was issued. In that way:

3.11.3.1. the taxpayer would at the time of the failure have the opportunity to identify any reasonable excuse for the particular failure (whereas they might struggle at a later date to recall what were perfectly valid reasons for the failure);

3.11.3.2. HMRC would know the basis of the objection close to the time of the failure (and be in a position should they choose to test its validity);

3.11.3.3. the taxpayer’s digital tax account could reflect the fact that an objection had been entered against a penalty point; and

3.11.3.4. in the event of any appeal to the tribunal against the penalty, the tribunal would know that the reasons for the objection had been advanced at the time the point(s) were incurred rather than identified a significant time after the event.’

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<sup>4</sup> See: <https://www.att.org.uk/technical/submissions/making-tax-digital-att-comments>

2.7 The decision (referred to in section 2.8 of the Consultation and quoted in section 2.4 above) to apply penalties by reference to each tax regime separately adds significantly to our concern that use of the formal appeal procedure on the occasion of each penalty point or review event could be burdensome for both taxpayers and HMRC (and indeed, the tribunal service). As a modification of the suggestion advanced in our previous response (points 3.11.2 and 3.11.3 above), we recommend that consideration be given to providing the statutory alternatives of a formal appeal process (as proposed in the Consultation) and the registration of objection (as outlined in 3.11.3 above). The latter would, in our opinion, have the potential to prevent the unnecessary investment (by both taxpayer and HMRC) of resources in preparing and considering an appeal in circumstances where the taxpayer's subsequent compliance record meant that no penalty eventually arose.

2.8 The Consultation is silent as to the likely monetary amount of any penalty. Our working assumption in this response is that the amount of penalty would be the same whichever Model was eventually adopted.

## 2.9 Question 2.1

***Which of the three penalty models proposed (A - Points-based, B - Regular review of compliance, or C – Suspension of penalties) do you consider to be the best and why?***

2.9.1 We consider that the Suspension model (Model C) has the most to commend it as:

- it is the simplest to understand;
- it delivers a degree of fairness in that it ensures quickly after a submission failure that the customer knows where they stand and what they need to do in order to avoid a penalty;
- it is effective in promptly encouraging a return to compliance following a submission failure.

There are, however, particular points within Model C which we consider would require attention. We comment on these in section 5 below.

2.9.2 We saw the (original) Points-based model as an interesting one but on further reflection and taking into account the revisions reflected in the current version (Model A), we are uncertain how effective it would be in practice. We are doubtful whether it would be well understood by the majority of customers who were generally compliant. For the minority of customers who were instinctively less compliant, we suspect that they might learn to play against the rules.

We comment on specific aspects of Model A in section 3 below.

2.9.3 Of the three alternative models, we find the Regular review model (Model B) by far the least convincing. In particular:

- we think that simple notification of lateness in submission would be less effective than either the Suspension model or the Points model in giving a clear educational message that the customer needed to take prompt remedial action in order to avoid a penalty;
- the retrospective nature of the review might create a feeling of a lack of fairness (an 'ambush') as customers might not really register that their non-compliance habits meant that a penalty was about to be sprung until it was too late to take remedial action;

- we think any benefit of simplicity under Model B would accrue more to HMRC than to the department's customers.

We do not comment on Model B in any detail in this response.

2.9.4 One point which we must emphasise is that none of the three models advanced is likely to be immediately well understood by taxpayers. Each is more complex than the existing system. This in our opinion gives added strength to our view (see section 2.2 above) that the initial penalty-free period following the introduction of MTDfB needs to be longer than twelve months.

2.9.5 In order to encourage compliance and reassure taxpayers that the changes in the penalty regime are not designed with the objective of raising revenues, we consider that attention should also be given to the introduction of 'carrots' as well as 'sticks' – providing recognition for good compliance behaviour as well as sanctions for poor compliance behaviour. It is outside the scope of the Consultation to explore the possibilities in this response but we would welcome an opportunity to work with HMRC to identify carrot opportunities.

#### 2.10 Question 2.2

*What are your views on the relative importance of the competing demands of fairness, simplicity and effectiveness?*

2.10.1 In the context of penalties, we see effectiveness in terms of encouraging compliance largely as a product of a system that delivers, so far as possible, simplicity and fairness.

2.10.2 As between simplicity and fairness, we see fairness as more important than simplicity. We think that a system which is perceived as fair (even if slightly complex) is more likely to foster compliance than one which is simple but potentially arbitrary in operation as the latter can provoke long-lasting resentment.

#### 2.11 Question 2.3

*To what extent does each of the three penalty models strike an appropriate balance between fairness, simplicity and effectiveness?*

2.11.1 Please see our response to Question 2.1 above.

2.11.2 We consider that the Suspension model has the greatest potential to deliver an appropriate balance between fairness, simplicity and effectiveness.

### 3 Chapter 3: Model A – points based penalty

3.1 One feature of the original Points model (as published in August 2016) was that multiple submission failures within a quarter which had a common underlying cause (falling short of constituting a reasonable excuse) only incurred a single point. The converse feature was that once

there had been a single submission failure within a quarter, there was no incentive to avoid further failures in the same time period. Both those features disappear as a result of the decision (referred to in section 2.8 of the Consultation – quoted in section 2.4 above) to apply penalties by reference to each tax regime separately.

3.2 One consequence of the point referred to in section 3.1 above could be an increase in the number of requests for statutory review and/or appeals on the ground that the common cause of multiple failures within a quarter *did* constitute a reasonable excuse. More would be at stake for a customer if points were incurred in each separate regime. Our comments in sections 2.6 and 2.7 above are relevant in this context.

### 3.3 Question 3.1

*Do you agree with these proposals for the duration of the required good compliance periods?*

3.3.1 We note the proposal to link the length of the good compliance period to the frequency of the relevant submissions. We understand the principle behind the proposal but think that it adds significant complexity. For a taxpayer with multiple submission obligations who had incurred penalty points under more than one category of obligation, we think that the differing periods of good compliance could be very confusing. The first principle noted in section 2.4 of the Consultation ('The penalty regime should be designed from the customer perspective, primarily to encourage compliance and prevent non-compliance') is relevant here.

3.3.2 Based on our understanding of the three different good compliance periods, we have prepared spreadsheets, the results of which form the Appendix to this response. The scenarios used are inevitably somewhat extreme but they do demonstrate that the concept of good compliance periods could operate in a surprisingly arbitrary manner. Combined with the absence of any over-riding shelf-life for points, they can result in patterns of more significant non-compliance avoiding penalties completely while more compliant patterns can incur multiple penalties. Comparisons of the Appendix scenarios B and C (Annual Submissions), E and F (Quarterly Submissions) and H and I (Monthly Submissions) illustrate this point.

### 3.4 Question 3.2

*Could any changes be made to the points-based penalty model to make it fairer, simpler or more effective?*

3.4.1 There are a number of ways in which the points-based system could be made fairer –for example:

- by varying the points for delayed submission by reference to the length of the period of delay or enabling short delays to be overlooked (Methods B and C currently appear to be capable of distinguishing between shorter and longer delays; Method A currently appears to be inflexible);
- by introducing a maximum shelf-life for points (scenarios C, F and I in the Appendix all illustrate why there is a need for some limitation of the shelf-life of penalty points) [This follows on from the point which we made in our Meeting, that taxpayers understand the analogy, as originally made by HMRC, to the system of driving licence points, where points 'expire' through the passage of time, and not through compliant driving.];

- by varying the number of accumulated points at which a penalty is charged by reference to the frequency of obligation;
- by permitting conditional suspension of a penalty once the critical number of penalty points has been incurred (drawing on Model C);
- by ignoring a single lapse in an otherwise consecutive period of good compliance (particularly relevant for more frequent submissions).

3.4.2 Adoption of changes such as those listed in section 3.4.1 above could make the points-based system fairer and contribute to satisfaction of the second and third principles noted in section 2.4 of the Consultation ('Penalties should be proportionate to the offence and may take into account past behaviour' and 'Penalties must be applied fairly, ensuring that compliant customers are (and are seen to be) in a better position than the non-compliant'). However, we are doubtful whether inclusion of any such change could be achieved without adding significant complexity. Despite our prioritisation of fairness over simplicity (see section 2.10.2 above), we have to recognise that a penalty system which cannot readily be understood by those whom it impacts is unlikely to be effective in encouraging compliance.

3.4.3 Notwithstanding our comments in section 3.4.2 above, we would welcome the opportunity for involvement in further consultation on the points-based model if responses to the Consultation produce significant suggestions as to how the model could be made fairer, simpler or more effective.

#### **4 Chapter 4: Model B – Regular review of compliance**

4.1 We see remarkably little to commend the concept of an automated annual review. Compared to the Model A and Model C alternatives, it appears to lack immediacy and to provide less incentive to a taxpayer to make an early return to compliance. It also appears to be the least transparent of the three models. Its inherently retrospective nature (however much taxpayers were notified whenever they were late – see section 4.2 of the Consultation) could leave taxpayers feeling that they had been ambushed by HMRC. The resulting resentment could in our opinion encourage non-compliance rather than compliance.

4.2 Although we do not respond to the questions posed in the Consultation about Model B, we would welcome the opportunity for involvement in further consultation on this model should it emerge from the process as the favoured model.

#### **5 Chapter 5: Mode C – Suspension of penalties**

5.1 Although the Consultation refers to this model as suspension of penalties, what it really involves is a limited conditional extension of the period for submission. Without suggesting that this should be

its formal title, we refer to this model as Limited Conditional Extension ('LCE') in the remainder of this response. We think that such an alternative title is important in order to distinguish the process from that applying to the suspension of penalties for careless inaccuracies (Schedule 24, FA 2007).

5.2 It is noticeable that the LCE model requires less descriptive narrative in the Consultation than either model A or model B. This is perhaps an indication that the LCE model is likely to be the simplest to explain to those taxpayers who might be subject to the penalty regime.

### 5.3 Question 5.1

***Do you agree that improved compliance should be recognised? Is there a better alternative way to recognise it?***

5.3.1 For the reason stated in section 5.5 of the Consultation (the risk of a counter-productive reaction if no suspension is permitted after a period of sustained good compliance) and in order to meet the objective of fairness, we agree that it is essential to recognise improved compliance.

5.3.2 In marked contrast to the detail provided in relation to Model A, the Consultation does not elaborate on how a period of sustained good compliance should be identified for the purposes of Model C. In order to avoid the complexity of differing periods by reference to the frequency of submission (as set out in sections 3.5 to 3.9 of the Consultation in relation to Model A) and the associated surprising outcomes (referred to in section 3.3.2 above and illustrated in the Appendix), we think that consideration should be given to a single standard shelf life for occasions of LCE. For simplicity, we suggest that the period should be twelve months from the most recent occasion of LCE. Unlike the position for the points-based Model A, the sustained period of good compliance would not reset the points to zero and so potentially permit an extended period of non-compliance; it would simply provide the taxpayer with a brief limited period to re-establish compliance. That seems to us to align with the principles numbered 1 to 3 and 5 in section 2.4 of the Consultation.

### 5.4 Question 5.2

***Could any changes be made to the suspension model to make it fairer, simpler or more effective?***

5.4.1 At our Meeting, we suggested that the length of the period of sustained good compliance could be relatively short upon initial introduction of the penalty regime and then lengthened once taxpayers gained familiarity with the concept of LCE. For taxpayers newly becoming subject to submission obligations in future, a similar phased lengthening of the period could help to encourage good compliance. It would usefully recognise the steep learning curve for new businesses in relation to compliance obligations (with many different deadlines and sanctions) including:

- VAT
- PAYE, NIC and RTI
- Auto enrolment
- MTD
- Health & Safety
- HR
- Apprenticeship Levy.



- 5.4.2 Within the LCE model, consideration might be given to something like the system of charges for over-stayed parking whereby a reduced monetary payment is possible for early settlement. In the context of LCE, this might be appropriate where a taxpayer had already had the benefit of two occasions of LCE and not yet achieved a period of sustained good compliance (however measured). Rather than being denied any access to LCE, they would have the opportunity to make the relevant submission within a limited period and thereby qualify for a reduced rate fixed penalty (payable within the same period). In addition to encouraging a return to early compliance, this would also align with the objective of cost-effective collection of penalties (principle 4 in section 2.4 of the Consultation).
- 5.4.3 Although any change of the kind suggested in sections 5.4.1 and 5.4.2 above would necessarily reduce the model's simplicity, we think that they would each contribute to fairness and effectiveness. In the case of the reduced rate penalty, we think that the similarity with reduced rate parking penalties would enable taxpayers to understand the concept and encourage early settlement and return to compliance.

## 6 Chapter 6: Penalty interest

- 6.1 The Consultation proposes that penalty interest would be charged (in addition to late payment interest) if tax is outstanding 14 days after the payment due date and where the customer has not entered into, and adhered to, time to pay ('TTP') arrangements.
- 6.2 We think that the linkage to TTP arrangements is a key factor in the proposal and one that could contribute significantly to the effectiveness of the sanction. We think that taxpayers will be able to appreciate the need to contact HMRC by a certain date and then adhere to TTP arrangements in order to avoid a penal rate of interest.
- 6.3 We note in passing that the introduction of penalty interest could increase the volume of TTP applications. This, of course, has resource implications for HMRC. It will be essential that HMRC is able to process TTP applications swiftly. Consideration might possibly be given to the automation of TTP applications which met defined characteristics such as the taxpayer's prior compliance history, the amount of unpaid tax, the reason(s) advanced for the application and the suggested instalments and period for clearing the liability.
- 6.4 In our response to the 2016 consultation, we indicated that we saw 30 rather than 14 days as the appropriate period before penalty interest became chargeable. We remain of the opinion that 30 days is more realistic. According to the Office for National Statistics, 'UK residents spent 731 million nights abroad in 2016, a 7% increase from 2015. The average length of stay has remained constant since 2011 at about 10 nights.'<sup>5</sup> Allowing for a modest amount of pre-departure and post-return

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<sup>5</sup> Source: *Travel trends: 2016* published by the Office for National Statistics on 17 May 2017 – see: <https://www.ons.gov.uk/search?q=travel+trends>

time, the 14 day period could easily have expired before a taxpayer was able to set up either payment or a TTP arrangement.

- 6.5 We also draw support for a 30-day period before liability to the penalty rate of interest from the familiar provisions of Schedule 56, FA 2009 in relation to Income Tax. Restricting the change to the *manner* of calculation of the charge for late payment (without changing the *timing* of the charge) is likely in our opinion to assist its understanding.
- 6.6 Our main concern about the penalty interest proposals centres on the idea of penalty interest being charged in addition to late payment interest. We offer the following comments:
- 6.6.1 However much HMRC see a functional distinction between late payment interest ('commercial restitution for not having use of the money and to ensure that customers who fail to meet their payment obligations are not in a better position than compliant customers' - see section 6.13 of the Consultation) and penalty interest ('a sanction for the late payment of tax and to encourage full payment as quickly as possible' – see section 6.14 of the Consultation), from a taxpayer's perspective it is a distinction without a difference. The interest is due because a tax liability has not been paid by its due date. Charging interest at two different rates on the same outstanding tax debt does not serve simplicity. It is likely to complicate the presentation of the taxpayer's Digital Tax Account and add to problems of payment allocation. We see no reason why, once the initial period (whether of 30 or 14 days) has passed without either settlement of the liability or a TTP arrangement, interest should not simply be charged at a single penalty rate.
- 6.6.2 The idea of fixing the rate of interest by reference to 'statutory interest' seems wholly appropriate. That achieves the objective of ensuring that 'a debt owed to HMRC should not be a lower priority than amounts owed to other creditors' (see section 6.10 of the Consultation). However, charging penalty interest at the statutory interest rate in addition to charging late payment interest would, as we see it, be to reward the Crown with a premium rate and to give tax debts a *higher* priority than debts owed to other creditors. That would typically disadvantage business creditors and could result in those businesses themselves being unable to meet their own tax liabilities and having to make TTP applications (or appeal their own penalty and rely on reasonable excuse provisions).
- 6.7 We note and welcome the fact that HMRC will consult later in 2017 on proposals both in relation to the alignment across taxes and penalty interest.

## 7 Contact details

- 7.1 We would be pleased to join in any discussion related to this Consultation. Should you wish to discuss any aspect of this response, please contact our relevant Technical Officer, Will Silsby, on 01905 612098 or at: [wsilsby@att.org.uk](mailto:wsilsby@att.org.uk).

Yours sincerely

Yvette Nunn  
Co-Chair of ATT Technical Steering Group

## 8 Note

8.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has over 8,000 members and Fellows together with over 5,700 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.

Appendix

<b>Annual Submissions</b>	<b>Scenario A</b>		<b>Scenario B</b>		<b>Scenario C</b>	
		<b>Points</b>	<b>B</b>	<b>Points</b>	<b>C</b>	<b>Points</b>
Year One	<b>LATE</b>	<b>1</b>	<b>LATE</b>	<b>1</b>	<b>LATE</b>	<b>1</b>
Year Two	<b>ON TIME</b>		<b>LATE</b>	<b>1</b>	<b>ON TIME</b>	
Year Three	<b>ON TIME</b>	<b>-1</b>	<b>LATE</b>	<b>1</b>	<b>LATE</b>	<b>1</b>
	<b>Re-set</b>	<b>0</b>				
Year Four	<b>LATE</b>	<b>1</b>	<b>ON TIME</b>		<b>ON TIME</b>	
Year Five	<b>ON TIME</b>		<b>ON TIME</b>	<b>-3</b>	<b>LATE</b>	<b>1</b>
			<b>Re-set</b>	<b>0</b>		
Year Six	<b>ON TIME</b>	<b>-1</b>	<b>LATE</b>	<b>1</b>	<b>ON TIME</b>	
	<b>Re-set</b>	<b>0</b>				
Year Seven	<b>LATE</b>	<b>1</b>	<b>LATE</b>	<b>1</b>	<b>LATE</b>	<b>1</b>
					<b>PENALTY</b>	<b>4</b>
Year Eight	<b>ON TIME</b>		<b>LATE</b>	<b>1</b>	<b>ON TIME</b>	
Year Nine	<b>ON TIME</b>	<b>-1</b>	<b>ON TIME</b>		<b>LATE</b>	<b>1</b>
	<b>Re-set</b>	<b>0</b>			<b>PENALTY</b>	<b>4 (max)</b>
Year Ten	<b>LATE</b>	<b>1</b>	<b>ON TIME</b>	<b>-3</b>	<b>ON TIME</b>	
Points carried forward		<b>1</b>	<b>Re-set</b>	<b>0</b>		<b>4 (max)</b>
No. of submissions	<b>10</b>		<b>10</b>		<b>10</b>	
No. of failures	<b>4</b>		<b>6</b>		<b>5</b>	
Penalties incurred?	<b>NONE</b>		<b>NONE</b>		<b>TWO</b>	

Quarterly Submissions	Scenario D		Scenario E		Scenario F	
		Points		Points		Points
Year One/Q1	LATE	1	LATE	1	LATE	1
Year One/Q2	ON TIME		LATE	1	ON TIME	
Year One/Q3	ON TIME		LATE	1	ON TIME	
Year Zero/Statement	ON TIME		ON TIME		ON TIME	
Year One/Q4	ON TIME	-1	ON TIME		LATE	1
	Re-set	0				
Year Two/Q1	LATE	1	ON TIME		ON TIME	
Year Two/Q2	ON TIME		ON TIME	-3	ON TIME	
			Re-set	0		
Year Two/Q3	ON TIME		LATE	1	ON TIME	
Year One/Statement	ON TIME		LATE	1	LATE	1
Year Two/Q4	ON TIME	-1	LATE	1	ON TIME	
	Re-set	0				
Year Three/Q1	LATE	1	ON TIME		ON TIME	
Year Three/Q2	ON TIME		ON TIME		ON TIME	
Year Three/Q3	ON TIME		ON TIME		LATE	1
					PENALTY	4
Year Two/Statement	ON TIME		ON TIME	-3	ON TIME	
			Re-set	0		
Year Three/Q4	ON TIME	-1	LATE	1	ON TIME	
	Re-set	0				
Year Four/Q1	LATE	1	LATE	1	ON TIME	
Year Four/Q2	ON TIME		LATE	1	LATE	1
					PENALTY	4 (max)
Year Four/Q3	ON TIME		ON TIME		ON TIME	
Year Three/Statement	ON TIME		ON TIME		ON TIME	
Year Four/Q4	ON TIME	-1	ON TIME		ON TIME	
Points carried forward	Re-set	0		3		4 (max)
No. of submissions	20		20		20	
No. of failures	4		9		5	
Penalties incurred?	NONE		NONE		TWO	

Monthly Submissions	Scenario G		Scenario H		Scenario I	
		Points		Points		Points
Year One/M1	LATE	1	LATE	1	LATE	1
Year One/M2	ON TIME		LATE	1	ON TIME	
Year One/M3	ON TIME		LATE	1	ON TIME	
Year ONE/M4	ON TIME		ON TIME		ON TIME	
Year One/M5	ON TIME		ON TIME		ON TIME	
Year One/M6	ON TIME		ON TIME		ON TIME	
Year One/M7	ON TIME	-1	ON TIME		LATE	1
	Re-set	0				
Year One/M8	LATE	1	ON TIME		ON TIME	
Year ONE/M9	ON TIME		ON TIME	-3	ON TIME	
			Re-set	0		
Year One/M11	ON TIME		LATE	1	ON TIME	
Year One/M12	ON TIME		LATE	1	ON TIME	
Year Two/M1	ON TIME		LATE	1	ON TIME	
Year Two/M2	ON TIME		ON TIME		LATE	1
Year Two/M3	ON TIME	-1	ON TIME		ON TIME	
	Re-set	0				
Year Two/M4	LATE	1	ON TIME		ON TIME	
Year Two/M5	ON TIME		ON TIME		ON TIME	
Year Two/M6	ON TIME		ON TIME		ON TIME	
Year Two/M7	ON TIME		ON TIME	-3	ON TIME	
			Re-set	0		
Year Two/M8	ON TIME		LATE	1	LATE	1
					PENALTY	4
Year Two/M9	ON TIME		LATE	1	ON TIME	
Year Two/M10	ON TIME	-1	LATE	1	ON TIME	
	Re-set	0				
Year Two/M11	LATE	1	ON TIME		ON TIME	
Year Two/M12	ON TIME		ON TIME		ON TIME	
Year Three/M1	ON TIME		ON TIME		ON TIME	

Year Three/M2	ON TIME		ON TIME		LATE	<u>1</u>
					PENALTY	4 (max)
Year Three/M3	ON TIME		ON TIME		ON TIME	
Year Three/M4	ON TIME		ON TIME	<u>-3</u>	ON TIME	
			Re-set	<u>0</u>		
Year Three/M5	ON TIME	<u>-1</u>	LATE	1	ON TIME	
	Re-set	<u>0</u>				
Year Three/M6	LATE	1	LATE	1	ON TIME	
Year Three/M7	ON TIME		LATE	1	ON TIME	
Year Three/M8	ON TIME		ON TIME		LATE	<u>1</u>
					PENALTY	4 (max)
Year Three/M9	ON TIME		ON TIME		ON TIME	
Year Three/M10	ON TIME		ON TIME		ON TIME	
Year Three/M11	ON TIME		ON TIME		ON TIME	
Year Three/M12	ON TIME	<u>-1</u>	ON TIME		ON TIME	
Points carried forward	Re-set	<u>0</u>		<u>3</u>		<u>4 (max)</u>
No. of submissions	36		36		36	
No. of failures	5		12		6	
Penalties incurred?	NONE		NONE		THREE	