

HMRC enquiries: Could you be next?

Tax investigations protection

SOPHER + CO
Chartered Accountants



Ensure you are protected.



The tax yield from individuals was up £2.4billion in 2018/19.



HMRC saw an 80% increase in tax receipts from high net worth individuals in the last tax year – and only spent an additional 2.5% on compliance activity to recover it.



HMRC actually spent less on small business compliance and yet these businesses contributed an additional £200m.



Medium-sized businesses produced tax receipts that were up 14% in 2018/19.



Despite much press coverage which suggests otherwise, the largest businesses in the UK produced a return on investment of £40 for each £1 HMRC spent on compliance – an additional £1billion in total.

The risk of an enquiry is very real.

Even if you've done nothing wrong, anyone can be selected. No business is too small or too large for HMRC to challenge.

High net worth individual:
HMRC challenged a large loss relief claim. The enquiry took six years and was resolved via alternative dispute resolution where an agreement was finally reached with HMRC. The cost of the enquiry was over £75,000.

Large business – cross tax enquiry:
HMRC undertook a full review of the accounting records of the business and the tax affairs of the owners of a care sector group. All taxes were reviewed and required extensive input from the practice, with HMRC officers spending five days on site. 18 months later the enquiry closed with a significant tax settlement, and accountancy fees of £40,000.

Personal tax enquiry:
Following a property sale, HMRC opened an enquiry into an individual's Capital Gains Tax position; requesting property valuations, leases and even challenging the transaction, as it involved a business part-owned by a member of the client's family. The enquiry was relatively short, but entailed much detailed correspondence. HMRC accepted there was no additional tax to pay, yet the fees were still £3,500.

SME:
HMRC were contesting a research and development tax relief claim, despite the practice having submitted comprehensive report to support the figures. HMRC wanted further detailed information and ultimately insisted upon a meeting with the practice, a director and a technical specialist from the company to talk through the projects. Only then, did HMRC subsequently accept the claim for loss relief. Final costs incurred to resolve the enquiry were £6,500.

All claims concluded across 2018/19



Compliance activity in 2018/19 yielded £34.1bn – a 12.5% increase in additional tax on 2017/18

Reasons to act now.

- 1 Enquiries are taking more time to deal with and are becoming more expensive as a consequence. Yet the cost of not defending enquiries properly is huge.
- 2 If you cannot afford the defence, you could end up paying a much higher tax bill.
- 3 Tax investigations can happen to anyone: whether you are an individual or in business; how ever good your records; even at random.
- 4 HMRC have access to data from merchant acquirers, banks and building societies, property-based information, land registry, letting agents, mortgage applications, DVLA, foreign data from overseas tax authorities, the tax evasion hotline – and they continue to expand their data sources. Even if you have done nothing wrong, you can be selected.
- 5 HMRC are using their compliance resources to undertake targeted campaigns and cross-tax enquiries in an attempt to maximise the tax they can recover.
- 6 We can't take away the stress and anxiety of being under investigation, but we can remove the cost, and work to achieve the best outcome for you.

How we can protect you.

No-one can prevent an investigation, but our tax investigations package:

- ✔ will remove your concerns about the rising costs of enquiries
- ✔ ensures you receive the best defence to protect your tax position
- ✔ enables us to challenge HMRC's assertions and assumptions head on, and that the basis of any enquiry is correct and that your case is handled fairly
- ✔ ensures the tax inspector is only asking for relevant information and documents, and provide all supporting information from our files that relates to your accounts
- ✔ handles all communications with HMRC, including letters, phone calls or notices issued
- ✔ prepares for and attend any face-to-face meetings with the tax inspector
- ✔ argues any complex or technical tax cases that are raised during the enquiry

Whether it's a PAYE or VAT visit, a technical challenge or a detailed books and records enquiry, our tax investigations service is designed to get you a fair result. It is why we strongly recommend that all our clients consider subscribing.

For an annual charge, you can rest assured that you are protected against the professional costs associated with an HMRC enquiry. The cost of not doing so, could be an unnecessarily high tax bill.

Fee Protection Service Rates for 1st October 2020 – 30th September 2021.

Notes:

- Director/Partner/ Spouse or Civil partner personal protection – please note that if you have personal rental income in excess of £50,000 per year or any self-employed income or other income in excess of £15,000 per year, an additional fee may be due, please contact us to confirm.
- Clients joining partway through the scheme year will be charged a pro-rata fee.
- Discounts available for groups of 4 or more related premium holders.

Categories	Total inc VAT
Payroll/VAT only client	£210.00
Trust/Personal Tax only (where gross rental/other income is less than £50,000)	£138.00
Trust/Personal Tax only (where gross rental/other income in excess £50,000)	£225.00
Sole trader not registered for VAT	£276.00
Sole trader registered for VAT	£405.00
Partnership/LLP/Ltd Co with turnover up to £5 million	£450.00
Partnership/LLP/Ltd Co with turnover between £5 million and £10 million	£480.00
Partnership/LLP/Ltd Co with turnover between £10 million and £25 million	£915.00
Partnership/LLP/Ltd Co with turnover above £25 million	£1,125.00

Don't put your business at risk – the law changes constantly and the helpline ensures that you have the right support when you need it most.