

# HMRC INVESTIGATION SERVICE

Are you protected?

**ArmstrongWatson<sup>®</sup>**

Accountants, Business & Financial Advisers

[www.armstrongwatson.co.uk](http://www.armstrongwatson.co.uk)

**HMRC investigates over 2,000 families for inheritance tax shortfalls**

**1 in 5 R&D tax relief claims face an HMRC enquiry**

**Increased HMRC VAT investigations bring in £11.4bn of unpaid tax**

**HMRC paid over £500,000 to whistleblowers in past year**

**HMRC given extra powers to 'ramp up' investigations into tax avoiders**

**HMRC plans crack down on National Minimum Wage Compliance**



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# 1 | **NEW GOVERNMENT, NEW FOCUS ON TAX INVESTIGATIONS**

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The Labour Government has made it very clear that they will be looking to increase tax revenues, with a distinct focus on tax compliance.

With a pledge to raise £5bn per year by targeting tax avoidance, it comes as no surprise that tax investigation activity is promised to significantly rise.

***"Labour pledges to bolster HMRC's compliance budget by £855m and staff by 5,000 people"***

Whilst confident, compliant companies, and individuals, may not be worried about potential penalties, you are not immune from the costs and inconvenience incurred during the investigation process.

The taxation system is increasingly complex which means explaining the intricate and unique tax positions of our clients to HMRC takes more time, incurring more expense as a consequence.

Investigations can be intrusive and obstructive to you and your business, and whilst we can't prevent HMRC from selecting you for enquiry, we can help to minimise their impact and reduce stress by dealing with HMRC on your behalf, and if you opt in to our HMRC Investigation Service, our time and fees are covered.\*



A handwritten signature in black ink, appearing to read 'Becky Bowness'.

**Becky Bowness**  
Head of Tax

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*A tax inspection is what I had always dreaded, I guess that feeling is common to all, you just hear horror stories. Aside from the long waits for a response from HMRC the process has gone smooth and stress free, from my perspective at least.*

*Thanks for all your hard work in this and your patience explaining the various points to me.*

*Armstrong Watson Client*

*\*exemptions apply, please see full policy for details*



## 2 | WHAT MAKES YOU A TARGET FOR AN HMRC INVESTIGATION?

Whilst any individual or business is not immune from a tax investigation, there are several reasons why you may be more likely to trigger attention from HMRC, some of these include:

**CHANGES IN YOUR REPORTED FINANCIALS**

**HIGH-NET WORTH INDIVIDUALS**

**NATIONAL MINIMUM WAGE AUDITS**

**CAPITAL GAINS TAX ENQUIRIES**

**IR35 AUDITS**


**SALE OF A BUSINESS**

**PANDEMIC SUPPORT CLAIMS**

**INCORRECT INFORMATION HELD BY HMRC**

**R&D TAX RELIEF CLAIMS**

**MALICIOUS TIP-OFFS**



If HMRC launch an investigation into you or your business, the range of records and documents they might check is vast. They'll contact you or your accountant in advance to set out the evidence they want to see or information they are wanting to collect. This will likely include your annual HMRC tax returns, any PAYE records, tax you have paid, self-assessment returns, full company records or tax calculation evidence.

### 3 | HOW MUCH COULD A TAX INVESTIGATION COST?

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The cost of a tax investigation can vary significantly depending on the nature and complexity of the case, however, here are just a couple of examples of the potential costs had these clients not had fee protection:



#### EMPLOYMENT TAXES ENQUIRY

A company was recently selected for an employer compliance review by HMRC covering all aspects of employment taxes. As is common with such reviews, HMRC requested copious amounts of information and documentation, including issuing three separate questionnaires covering around 100 questions. Following provision of all information, HMRC issued a further round of questions and a request for copies of all policies, contracts, expense claims, etc for the previous 18-month period.

<b>COST WITHOUT FEE PROTECTION:</b>	<b>£25,000</b>
<b>ACTUAL COST WITH FEE PROTECTION:</b>	<b>£0</b>

#### ENQUIRY NOTICE FOR CONSTRUCTION FIRM

A client operating in the construction industry received an enquiry notice with a request for detailed information concerning turnover, stock, work in progress together with certain expenditure. After providing the requested information there were several exchanges of correspondence before HMRC closed the enquiry without any adjustment to the submitted returns and no additional tax payable.

The costs of the enquiry ran to almost £10,000. However, because of Armstrong Watson's HMRC Investigation Service, the professional time was not a cost to the client, and they had our extensive experience to deal with HMRC allowing them to reach a satisfactory conclusion to the enquiry with no financial impact on the company.

<b>COST WITHOUT FEE PROTECTION:</b>	<b>£10,000</b>
<b>ACTUAL COST WITH FEE PROTECTION:</b>	<b>£0</b>



## 4 | WHAT DOES THE HMRC INVESTIGATION SERVICE INCLUDE?

Without an appropriate level of service protection in place it's important to recognise that from the moment the dreaded enquiry letter arrives, professional fees are likely to be incurred as your advisers will be required to help the tax inspector understand your business records and explain any technical adjustments, however, if you choose our service, we will ensure we manage the following:



Check HMRC is entitled to investigate the tax return selected and the enquiry window is still open



Challenge HMRC's assertions and assumptions head on, establish that the basis of any enquiry is correct and make sure your case is handled fairly



Ensure the tax inspector only asks for information and documents relevant to the enquiry year



Respond to all telephone calls, emails, letters, compliance fact sheets and notices issued by HMRC



Provide the inspector the relevant information from our files to enable them to conclude the investigation efficiently



Handle all communication direct with HMRC, including letters, phone calls or notices issued



Prepare for and attend face to face meetings with the inspector



Handle any settlement negotiations all the way through to conclusion



Ensure you are kept informed throughout and answer any questions



*It's not uncommon for tax inspectors to change during an enquiry which can lead to additional fees in assisting the new inspector to get up to speed!*

*Graham Poles -  
Tax Partner*

## 5 | YOUR HMRC INVESTIGATION SERVICE COVER PRICING

The Service fees depend on your status or, if you are part of a business, the turnover of that business. Please note that all Partners and Directors are also covered by the Service\* paid by their business if their individual income is lower than £50,000 from other sources of income outside the business.

TYPE OF COVER	ANNUAL TURNOVER	ANNUAL COST
Individuals and Trusts without trade	N/A	£130
Sole Trader	Up to £250,000	£245
Businesses (includes Partnerships, LLP, Limited Companies, Corporate Partners and Sole Trader with turnover over £250,000 p.a.)	Up to £250,000 Up to £1 Million Up to £5 Million Up to £10 Million Up to £25 Million	£380 £750 £900 £1150 £1900
Companies over £25m	Over £25 Million upto £30 Million £30 Million upto £50 Million £50 Million Plus	£2300 £3250 Price on application

*Prices are inclusive of VAT*

## 6 | WHAT'S NOT INCLUDED IN THE HMRC INVESTIGATION SERVICE:

### MAIN EXCLUSIONS

- Fraud cases
- Potential fraud cases, including where the enquiry is being handled by HMRC Specialist Investigations, Fraud or Civil Investigation Service, Counter Avoidance and Criminal Investigations Sections irrespective of the outcome
- Tax cases where statutory deadlines are not met, including where returns are submitted over 90 days late without a reasonable excuse
- HMRC enquiries relating to aggressive tax planning schemes
- Voluntary disclosures or HMRC campaigns
- National Minimum Wage Enquiries after an error is identified by HMRC

### LIMITATIONS

The limit of fee cover for most enquiries is £125,000 of costs per claim, however, for a small number of enquiries, including Inheritance Tax, the fee cover is £5,000\*.

*\*For a full list of exclusions and limitations please view the full policy document here: [armstrongwatson.info/TCSPolicy](http://armstrongwatson.info/TCSPolicy)*



## **ADDITIONAL BENEFIT**

### **24 HOUR FREE LEGAL HELPLINE, 365 DAYS A YEAR**

*When you sign up to our HMRC Investigations Service you also have access to a team of qualified solicitors for employment law, health and safety matters and commercial issues.*

## **CONTACT US**

To learn more about our HMRC Investigation Service or to sign up, please contact your relationship manager or get in touch using the contact details below:



0808 144 5575



[help@armstrongwatson.co.uk](mailto:help@armstrongwatson.co.uk)

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