

HMRC Investigation Service

Are you protected?

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

www.armstrongwatson.co.uk



Increasing likelihood of tax investigation

With increasing information powers and the ability to access data from a multitude of government departments - as well as external bodies and offshore institutions - HMRC continues to be much more aggressive towards the collection of tax. There's little doubt too that an urgency to replace depleted funds as a result of COVID-19 expenditure will increase pressure upon the government to recoup any underpaid tax.

Over the past 12 months alone, we have seen a significant increase in the number of individuals and businesses being faced with in-depth enquiries into their tax affairs, amounting to significant costs to defend their cases and seek a fair and pragmatic outcome. Not only can tax investigations be a costly process, they're incredibly time consuming and can be very stressful too.

“ HMRC Compliance Activity in 2018/19 yielded £34.1bn, 12.5% up on 2017/18 ”

Tax investigations are a costly business, often taking many months to conclude. In order to ensure that our clients are protected against the expenses of an investigation, we offer the opportunity to enrol with our HMRC Investigation Service. This means that should you be subject to an enquiry, as a member of our HMRC Investigation Service, the costs of having Armstrong Watson's tax experts defend and negotiate your position with HMRC protecting you from costly fees resulting in no cost to you. Having the appropriate service protection removes the stress, it will save you a great deal of time and resource and could save you thousands of pounds.

Without 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:

- ✓ Check HMRC is entitled to investigate the tax return selected and the enquiry window is still open
- ✓ 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 supporting information from our files relating to when your accounts were drawn up
- ✓ Prepare for and attend face to face meetings with the inspector
- ✓ Handle any settlement negotiations all the way through to conclusion.

Of course those are just the fees for responding to HMRC. We will also be talking to you regularly, answering your questions and keeping you informed of our discussions with the tax inspector. It is not uncommon for tax inspectors to change during an enquiry, which 'without protection' can lead to additional fees in assisting the new inspector to get up to speed. It is easy to see how fees can escalate rapidly, so subscribing to our HMRC Investigation Service is a logical and cost effective measure to take.

How the HMRC investigation helped

Manufacturing business in the North East

This company had a turnover of around £80 Million, and the directors had individual companies holding their property interests. HMRC decided that they would conduct a full compliance investigation into all of these businesses. We were able to attend all of the opening meetings and spend time going through the accounts with HMRC, responding to their queries and closing the enquiries down. There were some minor adjustments in the large manufacturing business, and again we were able to mitigate the penalties to obtain the best result. **The costs of these enquiries ran into tens of thousands of pounds as they spanned VAT, PAYE and Corporation Tax. 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 continue to operate their company.**



Family Partnership

We helped a family partnership in Cumbria, where they wanted to split the partnership between their children transferring assets, including property, between them. HMRC questioned the splitting of the partnership and sought to charge Capital Gains Tax of around £100,000 on the individuals. Armstrong Watson's HMRC Investigation Service covered the family and we were able to challenge the Revenue and provide the legal documents that showed that the transfer of the assets should not be subject to tax. HMRC continued to challenge the treatment for nearly one year before eventually accepting that no tax was due. **The cost of this enquiry would have been around £4,500 for the family, and once again, Armstrong Watson's HMRC Investigation Service paid these costs and allowed us to focus on bringing this matter to a satisfactory close for the family.**

What makes you a target for HMRC and what will they check






There are several reasons why you might be a target for an HMRC investigation and many can be triggered by simple honest mistakes, including:

- ✓ Your financials look dramatically out of kilter for a business in your industry or sector
- ✓ Significant changes in your reported financials including; your income and your business expenses
- ✓ Your return shows discrepancies for example; if the company directors are earning less than employees
- ✓ Your annual tax returns show unprofitability for multiple years
- ✓ Suspicion you have not declared income for example; any capital gain
- ✓ Off-shore income
- ✓ Investigation via tip-off

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.

Protect yourself today - act now

Here are five reasons why we feel it is important to take out our HMRC Investigation Service.

-  Tax investigations can happen to anyone, whether you are an individual or in business.
-  HMRC is working hard to collect more revenue than ever before. Last year it generated £34.1 billion from compliance activity and it plans to increase this figure significantly over the next 12 months. This means that the chances of being selected for an enquiry are on the rise.
-  HMRC is becoming more sophisticated in its approach to recovering tax with the details held within its systems. This enables HMRC to be increasingly targeted in its selection of those it chooses for investigation.
-  Don't underestimate the impact on you or your business of the stress and anxiety caused by being selected for an enquiry.
-  Our HMRC Investigation Service ensures that you have an experienced professional on your side when you need them at no additional cost.

Motor retailer investigation



We acted for a motor retailer who had received a full enquiry from HMRC who focused part of their investigation on what they believed were missing transactions. They reviewed the complete books and records, challenging several transactions as well as the basis of the books and records from which the statutory accounts are compiled. HMRC considered the company's PAYE, Corporation tax, VAT and the individual director's income tax positions.

We were able to attend all meetings, pushing back on the requests for information where appropriate, as well as explain the nature of these transactions as HMRC lacked any depth in this industry. We dealt with the transactions that concerned HMRC, and when the investigation was concluded, there were no adjustments to the accounts.

This enquiry would have cost the client around £11,000, but these costs were fully covered by Armstrong Watson HMRC Investigation Service.

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Service costs

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 | £95 |
| Sole Trader | Up to £250,000 | £150 |
| Businesses (includes Partnerships, LLP, Limited Companies, Corporate Partners and Sole Trader with turnover over £250,000 p.a.) | Up to £250,000 | £250 |
| | Up to £1 Million | £475 |
| | Up to £5 Million | £595 |
| | Up to £10 Million | £750 |
| | Up to £25 Million | £1,250 |
| | Over £25 Million and Groups of Companies | * Price on application |

“ In the event you face an investigation, we will represent you and any fees incurred will be protected as part of the service. **”**

*Term & Conditions apply refer to our website www.armstrongwatson.co.uk/TCS for more information.

HMRC Investigation Service

Are you protected?

*Employment, health and safety, and business legal advice 24
-hour helpline*

When you subscribe to our HMRC investigations service, you'll have access to a team of qualified solicitors for employment law, health and safety matters and commercial issues. A legal expert is only a phone call away and, most importantly, the advice is:

- *Free unlimited calls*
- *In plain English*
- *Available 24/7, 365 days a year*



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...we're with you

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