

Tax Investigation *Services*

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

www.armstrongwatson.co.uk



*Helping our clients
achieve prosperity,
a secure future and
peace of mind.*

Increasing Risk of HMRC Tax Investigation

HMRC continues to be much more aggressive towards the collection of tax, with increasing information powers and the ability to access data from many government departments as well as external bodies and offshore institutions. As a result, we have seen an increase in the number of individuals and businesses being faced with enquiries into their tax affairs and these HMRC enquiries can amount to significant costs to defend the case and seek a fair and pragmatic outcome.

Tax investigations are a costly business, often taking many months to successfully conclude. In order to ensure that our clients are protected against the expenses of an investigation, we offer the opportunity to enrol with our Tax Investigation Service. This means that should you be subject to an enquiry, as a member of the Tax Investigation Service, the costs of having Armstrong Watson's tax experts defend and negotiate your position with HMRC are underwritten by a third party insurer resulting in no cost to you.

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We had previously thought our affairs had been correct and up to date, however, we had not fully understood the taxation system and were unaware of certain reporting requirements. Having never had any former experience of an HMRC enquiry we did not know what to expect but from the start of the enquiry Armstrong Watson assisted us throughout the process. As a direct result of Armstrong Watson's efforts the penalties which HMRC could impose were reduced as far as possible. This in itself was a great result, however, by far the greatest benefit was knowing that we had Armstrong Watson assisting us through the process.

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**Dumfries Client,
Business Owner**

How do fees escalate in a tax enquiry?

A tax enquiry doesn't just mean a lot of worry and extra work for you, rummaging through many years of historical paperwork. It also means working closely with us, as we help the tax inspector understand how the data in your business records has been converted into figures in your accounts.

Not only that, we also have to explain any technical adjustments we have made in your profit and loss account or balance sheet for items such as prepayments and accruals.

From the moment the dreaded enquiry letter arrives, professional fees are incurred:

- Checking HMRC is entitled to investigate the tax return selected and the enquiry window is still open
- Ensuring the tax inspector only asks for information and documents relevant to the enquiry year
- Responding to telephone calls, emails, letters, compliance fact sheets and notices issued by HMRC
- Providing supporting information from our files relating to when your accounts were drawn up
- Preparing for and attending face to face meetings with the inspector
- Debating any obscure or technical tax cases raised during the enquiry
- Handling any settlement negotiations all the way through to a successful 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 can lead to additional fees, assisting the new inspector to get up to speed.

It is easy to see how fees can escalate rapidly, so we believe that subscribing to our Tax Investigations Service is a logical and cost effective measure to take.



Protect yourself today - Reasons to act now

Here are five reasons why we feel it is important to take out our Tax Investigations Insurance. You don't want to be just another HMRC statistic!



1. Tax investigations can happen to anyone, at random, whether you are an individual or in business.



2. HMRC is working hard to collect more revenue than ever before. Last year it generated £26.6 billion from compliance activity and it plans to increase this figure to £27 billion over the next 12 months. This means that the chances of being selected for an enquiry are on the increase.



3. HMRC is becoming more sophisticated in its approach to recovering additional tax. With the details held within its Enterprise Data Hub, it has amassed more facts and figures about taxpayers' financial activity – it already holds more information than the British Library. This enables it to be increasingly targeted in its selection of those it chooses for investigation.



4. Don't underestimate the impact on you or your business of the stress and anxiety caused by being selected for an enquiry.



5. The tax investigations package ensures that you have an experienced professional on your side when you need them.



A Tax Investigation

One of our manufacturing clients received an enquiry notice from HMRC, with the inspector demanding a meeting at the company's premises with the directors. The inspector listed several areas to discuss in the meeting including the business background, accounting systems, the directors relationship with the company and if necessary, the director's private financial affairs.

We provided all the necessary information prior to the meeting, and as a result, he was happy to cancel the meeting and handle the enquiry via correspondence. In particular, the inspector was most interested in discrepancies between monthly figures, however this was explained away as the original company ceased trading and its activities were taken over by a new entity. As a result, the inspector accepted that no amendments were required for the return.

The enquiry took six months to conclude that the figures were, in fact, correct. Unfortunately, this required £4,000 of professional fees to ascertain. Luckily, our client was protected by the tax investigations package and therefore the costs were automatically covered. A great result!

Case summary -



The investigation took six months



The tax return was provided correct



Defence fees amounted to £4,000

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I became subject to an enquiry by the Revenue with regard to a self employed individual who would assist from time to time in the business. The Revenue wanted to argue that he was an employee and this would have significantly increased the costs of using this person. I engaged Armstrong Watson to assist with this enquiry and they immediately took control and pulled together evidence to support our argument. After protracted correspondence and an internal review, HMRC agreed that the individual was self employed. My Armstrong Watson adviser was always professional in their dealings and ensured I knew what the position of the enquiry was at every step.

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Billy Bone,
Firstprobe Limited



Tax Investigation Service - What's included

Service protection

Fee Protection of up to **£125,000** is provided in the event of:

Full and aspect enquiries into:	Disputes into:
Corporation Tax Returns Partnership Tax Returns Sole Trader Tax Returns Personal Tax Returns	VAT Employer Compliance (PAYE, P11D and NIC) IR35
VAT control visits	Interventions
Employer Compliance Visits	Requests for information
Check of Employer Records	Capital Gain Tax
National Minimum Wage reviews	

Code of practice 8 enquiries (£5,000 limit of indemnity) and Inheritance Tax enquiries (£5,000 limit of indemnity)



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

Business clients who subscribe to the service also have access to a 24-hour telephone helpline. More information can be found overleaf and details of how to access this service will be sent with your service confirmation. Full details of our Tax Investigations Service can be found in our 'Tax Investigations Service Summary Leaflet'.

Main exclusions

- HMRC Specialist Investigations, Civil Investigations of Fraud, Criminal Investigations Sections, Fraud Investigation Service, Counter Avoidance Sections and Code of Practice 9 cases.
- Failure to notify/register for tax or VAT.
- Compliance costs associated with routine submission of statutory returns e.g. P11D's RTI Returns, CIS Returns etc.
- Costs for third party valuations.

In the event a client faces investigation, we will represent you and reclaim any costs incurred in dealing with the Enquiry directly from the insurance company. The practice will be responsible and have the discretion for making claims under our Policy. Clients will be responsible for any fees that we cannot recover from our Insurers.



Fees

The 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 subscription 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	£96
Sole Trader	Up to £250,000	£138
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	£234 £402 £528 £660 £1068
	Over £25 Million and Groups of Companies	* Please request a quote

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For full details of our Tax Investigations Service please see our 'Tax Investigations Service Summary Leaflet' or, to sign up for this service, please speak to your Armstrong Watson adviser.

We're with you...

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