

HMRC Investigation Service

Are you protected?

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

www.armstrongwatson.co.uk



There is an increasing likelihood of a tax investigation

Business is becoming ever more complex which means explaining the intricate and unique tax positions of our clients to HMRC takes more time, incurring more expense as a consequence.

We want to achieve the best possible outcome without you having to worry about the time and costs involved in defending you. Having an expert who understands your business and your tax affairs is key to dealing with HMRC enquiries.

HMRC are using their ever growing resources to undertake their targeted campaigns and cross-tax enquiries in an attempt to maximise the tax they can recover.

Investigations can be intrusive and obstructive to you and your business. We cannot prevent HMRC from selecting you for enquiry, but we can help to minimise their impact and reduce stress by dealing with HMRC on your behalf.

A total of £30.4 billion* in additional tax was generated by compliance activity in 2020/21; £2.6 billion related to individuals, £3.0 billion from wealthy individuals, and £8.4 billion from small and mid-sized businesses.

With HMRC's continued investment in compliance, ensure you are protected with our comprehensive tax investigation protection.

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, at no extra cost, ensure we manage the following:



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



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.

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In the financial year 2020 to 2021, HMRC generated total tax revenues of £608.8 billion, which remains a significant amount despite the impact of Covid-19 on individuals and businesses.

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*Source www.gov.uk as at 4th November 2021

How the HMRC Fee Protection service helped

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.



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



Incorrect reporting of Pandemic support claimed by you and your business



Your annual tax returns show multiple years of financial loss



HMRC resources may actually have incorrect information about you or your business, which could incorrectly suggest that there is undeclared income or capital gains



Suspicion of undeclared off-shore income



Malicious 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.



Who's most at risk of a tax investigation?


Tax investigations can happen to anyone – whether you are an individual or in business – however good your records are. HMRC regularly undertake random enquiries to police the system.

Typical investigation include:




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 tax settlement and accountancy fees met by the tax investigations service and not the client.



High-Net-Worth Individuals

HMRC sought to check the HNW individual's domicile status, requesting a great deal of information over a four-year period. The practice was at the client's side throughout and after several years, agreement was reached with HMRC. Despite having a tax bill, fees of over £75,000 were met by the tax investigations service.










Personal Tax Enquiry

HMRC opened an enquiry into an individual's Capital Gains Tax position, rollover relief and income from property. At the outset, HMRC requested a substantial amount of information. A detailed reply was provided, but HMRC continued to challenge the claim for rollover relief. The inquiry was closed with no further tax due to HMRC, however the client would have incurred fees in the region of £13,000. Our service was in place and all fees were met with no cost to the client.

How our service can protect you

No-one can prevent an investigation, but our HMRC tax investigations service will enable us to:

-  Explain any complex or technical tax challenges that are raised during the enquiry without any restrictions due to cost
-  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 is only requesting relevant information and documents, and provide all supporting evidence from our files relating to your return
-  Handle all communication direct with HMRC, including letters, phone calls or notices issued
-  Prepare for and attend any face-to-face meetings with HMRC
-  Ensure you receive the best defence to protect your tax position
-  Whether it's a cross-tax enquiry, a technical challenge or a detailed books and records review, our tax investigations service is designed to get you the best possible result and is why we strongly recommend that all our clients subscribe.

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	£99
Sole Trader	Up to £250,000	£185
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	£295 £585 £695 £885 £1,495
Groups of Companies over £25m	Over £25 Million upto £30 Million £30 Million Plus	£1850 £2595

Prices inclusive of VAT

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

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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