

HMRC Tax Investigations

You may have never had an HMRC tax investigation, but given the government have put HMRC under pressure to collect more tax revenues than ever before, the chances are that even the most careful of Self-Employed MD/Owners will come under HMRCs microscope at some point.

Are you protected?

The Inland Revenue are trying to raise revenue across the board and even smaller infractions are being investigated. So what to do?

- Tax Investigations have soared over the past three years
- HMRC is under pressure from the Treasury to collect more tax
- Investigations from the tax authorities cause stress

How will you protect yourself from the cost, worry and stress of an HMRC investigation?

What you may not know about HMRC and tax investigations

HMRC have significantly increased the number of tax investigations they carry out. HMRC's "breakthrough" computer system, a new, powerful weapon against fraud, tax evasion and avoidance, will ensure that even the most determined are caught eventually. The system is called as '**Connect**', and was designed by defence contractor BAE Systems. Although it cost HMRC £45m back in 2010, it has already delivered £1.4bn of additional tax revenues.

Connect Computer Power

“6 out of 10 tax enquiries use this system”

The HMRC's powerful tax enquiries computer system is called '**Connect**'.

It's a very appropriate name because HMRC has unrivalled wealth of information about people living in Britain, due in part to its many connections with other databases, such as the Land Registry, Companies House and the Electoral Roll.

“HMRC has more data than the British Library”

The HMRC website is one of the world's biggest websites at peak filing time '**Connect**' has access to such comprehensive data that it allows investigators to spot anomalies. HMRC's powerful IT system allows Tax Inspectors to build up literally dozens of connections for any one individual. Creating a unique profile about that person's circumstances.

It also makes it much easier for HMRC to check up on, and cross reference, an individual's tax return.

Third Party Information

Did you know that HMRC also collects information from other organisations?

The tax authority's access to Land Registry and DVLA data means it knows how much someone has spent on their house and can see vehicles registered to each address.

So, if someone has bought a high value vehicle, but lives in a modest flat, that might not fit with that individual's financial affairs. Maybe an individual owns some properties in their name, but has not declared any income, that would be a warning sign.

The Inland Revenue can easily build up a picture of a person's financial worth.

Online Information

Remember, what goes 'on the web' stays 'on the web'!

HMRC also grabs seemingly harmless information from social networking sites such as Facebook, Twitter and LinkedIn. If someone is constantly putting up pictures of expensive holidays and flashy cars on Facebook, but is paying minimal tax, then that could trigger an investigation.

HMRC also obtains information from less obvious sources, such as adverts on noticeboards, in newsagents or even stories in local newspapers. So, all media is a valuable source of information for HMRC.

Concerted Advertising Campaigns

The tax authorities advertising campaigns are designed to make tax evaders feel rotten about cheating the Exchequer when times are hard. Ad campaigns emphasise that "the net is closing in". Adverts warn tax cheats to declare all their income "before it is too late".

There's More

Apart from powerful computing systems, and the ability to gather huge amounts of electronic information, the tax authorities also use these tactics:

Mystery Shoppers

Tax inspectors also now operate undercover, in disguise, and in teams to root out suspicious behaviour.

Informers and Tip Offs

Embittered divorcees and disgruntled former employees are among HMRC's sources of useful information.

Overseas Property Owner

Higher-rate taxpayers with properties abroad are among those targeted by the 200-strong HMRC affluence unit. This affluence unit has been set a target of raising an extra £560m over the next four years.

As well as overseas property, other investigations involve commodity traders and people holding offshore accounts.

Offshore Bank Accounts.

In-line with the above, International borders are increasingly meaningless for tax authorities pursuit of outstanding taxes.

Property Raids

In certain circumstances, inspectors now have the power to raid the homes of people they suspect of not paying tax. Raids last year were 155% up on the previous year. These property searches, tend to focus on individuals who run their businesses from home.

Fake Numbers

The “chi squared” test is another tool sometimes used by tax inspectors to check the reliability of reported figures, including restaurants’ sales figures. This test, also known as ‘Benford’s Law’, is a means of testing the randomness of figures.

Basically if numbers are made up, or appear to have some honest anomalies, there is a very good chance that HMRC will spot it and investigate.

How we can help

We specialise in resolving tax investigations, tax enquires, tax disputes and conflicts with HMRC and we will help alleviate the worry of any such investigation.

Our tax team

The technical expertise within our Tax team is second to none. The team is led by one of our partners Robin John FCA CTA who has a wealth of experience, including that gained as a Tax Partner for a 'Big Four Practice'.

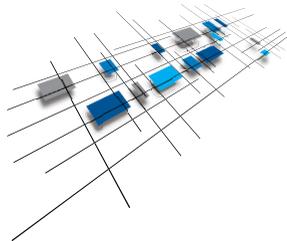
Ways in which our Tax team will help you include:

- ■ ■ Preparing disclosure reports as required under Code of Practice 9 / Contractual Disclosure Facility (suspected serious tax fraud) and preparing unprompted disclosure reports.
- ■ ■ Resolving tax investigations being conducted under Code of Practice 8 (tax avoidance)
- ■ ■ Providing advice in relation to the new tax tribunal system and appeal hearings
- ■ ■ We can help with negotiating tax penalties or other elements of a tax investigation
- ■ ■ Helping individuals, partnerships, offshore trusts or onshore trusts deal with tax enquires
- ■ ■ Working with other professional to achieve a settlement on behalf of mutual clients
- ■ ■ Dealing with disputes and conflicts with HMRC

Once the investigation has been dealt with satisfactorily we then look to the future with you. We prepare regular and detailed tax planning reports to show where your future tax exposure may lie, advising on possible planning and tax saving strategies as required. We would also conduct an annual wealth and income planning review to keep your tax liabilities to a minimum.

So contact our specialist tax team on 01932 868 444 for help and invaluable advice.

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Wellden Turnbull

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Surrey Office: 01932 868 444 | London Office: 020 7381 2022 | Email: info@wtca.co.uk