



# TAX INVESTIGATIONS

## Case Studies

### Contractor/Freelancer Clients

**Business Records Checks** - a good number of contractors have already been targeted and those whose records have not passed muster have been selected for enquiry. The costs to deal with this kind of check is likely to be £500 in professional fees - an full investigation could cost five times that.

**VAT** - HMRC have been active in the contractor market, particularly where the Flat Rate Scheme is concerned. By the time we've dealt with the visit and the questions that arise, you'll be £750 out of pocket. Or subscribe to the Tax Investigations Service and let us worry about the cost.

**Travel & Subsistence** - Many contractors are now having to travel far to find engagements, including overseas. Suddenly your T&S costs increase and HMRC want to trawl through your records. Nine months and £2,000 later, you may wish you had subscribed to the Service – particularly if you end up with no tax to pay...



### Personal Tax Clients

**Complex Returns** - This individual had various investments with possible capital gains issues, queries over interest received and land and property income. The extraordinary detail and correspondence the Revenue required resulted in fees of over £5,000. Sadly, this level of cost is not uncommon for a complex return.

**Property Problem** - This capital gains enquiry followed the gift of a property to the client's children. Two straightforward questions turned into a technical nightmare, with HMRC believing the house had been used for non-domestic purposes. Costs to conclude were £3,000, or about 50 years of our Tax Investigation Service fee.

**Bank error in your favour?** - This was an Aspect enquiry into investment income; HMRC thought more should have been declared. Due to poor record keeping by the bank, HMRC's information was incorrect but it took £1,900 to prove that the client's tax return was 100% correct.

### Small Businesses

**Spanner in the works** - An Engineering company was selected for a full scale investigation of its Corporate Tax matters that lasted over a year. The Inspector suspected understated sales and reviewed the PAYE procedures. Professional defence costs of over £2,500 were incurred to handle the various meetings and correspondence.

**Time is money** - A small security company was subject to a Full Enquiry which looked at the tax, PAYE & VAT records. Although some small discrepancies were found in the accounts, matters only really escalated when the director's personal affairs were considered. Two and a half years later the matter was settled for fees of £4,500. That's a lot to pay if you don't have the Tax Investigations Service!



**Separating the wheat from the chaff** - A farming business has recently been enquired into, with HMRC asking for an analysis of the general farming activities, rent and rate expenses; and capital allowances computations for plant and machinery. This is not looking at everything in the accounts, but the initial cost estimate of £1,000 has already been exceeded and subject to HMRC's approach, could double.

**There is nothing particularly unusual about these enquiries and therein lies the problem – even a straightforward enquiry is likely to cost the equivalent of 10 years subscription to our Tax Investigations Service!**