

Have you been faced with a tax investigation recently? Christina Brennan highlights some of the things you should be aware of when the enquiry notice shows up.



handling tax investigations

■ **With HMRC's continued focus on compliance activities and increasing the yield from tax investigations, more and more practitioners are facing the prospect of dealing with an investigation.**

opening letters

The letter from HMRC can request any information/documentation reasonably required to check the return. Generally, this will be the business records and an explanation of how the accounts were prepared. However, it is important to be wary of requests for private financial records, early meetings and any information not covered by the return under enquiry.

You should also remember that under *Working Together 8 (ITSA)* 'Non business bank details should not be requested in the opening letter as a matter of course'.

Therefore deposit/transfer of drawings does not bring an account within the remit of business records. Also, private financial records should only be requested where the business records are not 'robust'. Importantly, HMRC can only request records in the **power or possession** of the client.

If the inspector requests a meeting, remember that:

- your client is under no obligation to meet with the Inspector
- you can determine where, and when, a meeting takes place

- meetings can be useful but obtain an agenda from the inspector (even a poor agenda can be of use)
- ensure the client is fully briefed prior to the meeting
- advise the client that they should:
 - *never guess the answers to questions* (you can say that you will consider a point and respond later)
 - *never tell the inspector what they think he wants to hear* (it's the easiest way to inadvertently cause problems in the future – you never know what other information the inspector has up their sleeve!)
 - *never expect the inspector to accept any explanation given* (unless you can evidence it)
 - *never assume that the inspector will believe you are being honest*
- you can end the meeting at any time
- you can ask for an adjournment to discuss matters with your client
- you do not have to agree to the inspector's requests.

targeting

At the moment, although HMRC is quiet about its future centrally directed cases, it still appears to be targeting specific trades as national projects. Currently these include garages, MOT centres, car sales, jewellers, dentists and property professionals including

estate agents, surveyors and architects. If you have a client which falls into these categories, they could be at increased risk of investigation.

An Abbey Tax Professional Expenses Insurance scheme is designed to reimburse your professional fees in the event of client enquiry. More and more clients ask their accountant to provide this type of cover and Abbey can help your practice find the best scheme for your requirements.

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To find out how Professional Expenses Insurance could help improve the value added services your practice offers, please contact me as follows:

tel: 0870 166 6270
sales@abbeytax.co.uk
www.abbeytax.co.uk

Christina Brennan – Marketing
Co-ordinator, Abbey Tax Protection

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