

# We're here to protect you

## HMRC ENQUIRIES

### What are the risks?

**With the average tax enquiry lasting up to 24 months, the associated costs can quickly escalate, yet the cost of not fully defending enquiries can be substantially higher.**

With HMRC forecasting an increase in compliance activity, coupled with continuing inflationary pressures and economic challenges, it is more important than ever to ensure you're protected against unexpected costs that could add to the financial burdens on your business.

HMRC is launching an unprecedented level of tax enquiries, using ever more sophisticated data statistics and artificial intelligence technology to target these persistent and intrusive investigations.

Even if you've done nothing wrong, you may still be selected for a detailed review of your tax affairs. It's therefore a huge financial risk to not be protected against the growing number of HMRC enquiries.

### HMRC continues to narrow the tax gap

**In the financial year 2023 to 2024, HMRC generated total tax revenue of £843.4 billion, an increase of £29.4 billion (or 3.6%) from 2022 to 2023, continuing the upward trend of recent years.**

Given the recent announcement of 5,000 new compliance staff over the next 5 years, with 200 starting training in November 2024 and 1,800 new staff working in debt recovery, it is clear that there is a renewed focus on the correct tax being paid to the Exchequer.

Compliance yield jumped from £34 billion in 2022/23 to £41.8 billion in 2023/24. In total, £5.3 billion was related to individuals and small businesses, and £9.4 billion from wealthy individuals and mid-sized businesses. With HMRC's continuing investment in compliance, many more individuals and businesses are likely to face an enquiry. Ensure you are protected with our comprehensive tax investigations package.

Source: HM Revenue and Customs – Annual Report and Accounts 2023 to 2024



### How we can protect you

**No one can prevent an investigation, but our tax investigations package will remove any worry about costs and enable us to:**



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



Explain any complex or technical tax challenges that are raised during the enquiry without cost restrictions



Ensure the tax inspector is only requesting relevant information and documents



Handle all communication 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 PAYE or VAT visit, cross-tax enquiry, technical challenge or a detailed books and records review, our tax investigations package is designed to achieve the best possible result for you. We strongly recommend that all our clients subscribe.

For an annual charge, you can rest assured that you are protected against the professional costs associated with an HMRC enquiry.

The cost of not doing so could be an unnecessarily high tax bill.

# Helping businesses like yours

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

## R&D tax relief enquiry

HMRC initiated a compliance check on an R&D Tax Relief claim by a small business. After extensive correspondence, HMRC rejected the claims as non-qualifying, posing a significant financial risk to the business. Believing in a reasonable chance of success, an application for Alternative Dispute Resolution (ADR) was made. With specialist representation provided for by the tax investigations service, ADR concluded with HMRC agreeing that the projects were qualifying to the relief of the client. **The service covered representation costs exceeding £9,500.**

## VAT registration – accommodation

HMRC reviewed the date from which a business should have been registered for VAT and proposed a penalty of £283,000 for failing to register on time. A specialist was consulted, and an application was made to ADR to contest the penalty, citing a reasonable excuse. Before the ADR process took place, HMRC informed that they would not be charging the penalty, and the case was subsequently closed.

**The professional fees to achieve this outcome amounted to over £1,900, all covered by the tax investigations service.**

## Employer compliance review – plumbing

A plumbing company underwent an HMRC employer compliance review, which started with a payroll questionnaire and a conference call but expanded into detailed requests for payroll software, payslips, bonuses, expenses, mileage records, and the employee handbook. With guidance from the practice, they provided all information.



**HMRC eventually closed the case with no additional tax/NIC owed, despite defence costs amounting to nearly £1,500.**

## Personal tax

HMRC initiated a compliance check into a taxpayer's disposal of shares in a company, along with additional shares and securities. HMRC requested extensive documentation to support the disposal. Over the course of nine months, there was considerable correspondence between the accountant and HMRC, during which HMRC persisted in requesting information to validate the transactions. Ultimately, HMRC concluded that everything was in order and issued a closure notice with no amendments required.

**Despite no discrepancies being found, the client incurred a representation bill amounting to just under £23,000, which was fortunately covered by the Tax Investigations Service.**

Source: Claims settled by Markel Tax in 2023-2024

## Expert legal support when you need it most

When you subscribe to our tax investigations package, you'll also 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:**

- ✓ in plain English
- ✓ available 24/7, 365 days a year
- ✓ free\* and unlimited

\*Calls from a landline will be charged at your local rate. Calls from mobile phones are charged at your network provider's rates in accordance with your tariff.

## Business Hub

Business Hub assists with everyday legal issues around employment, health and safety, trading and contracts, cyber and data, debt and insolvency.

The Business Hub provides practical DIY templates and guidance around these topics, which saves business time and money.

### Business Hub includes:

- ✓ 900+ DIY contracts, policies, forms and letter templates
- ✓ 600+ guides
- ✓ 360+ links to key resources

In the current climate, businesses need legal assistance more than ever. Don't put your business at risk – ensure you have access to expert assistance when you need it most.

**Contact us for more information**