

Tax Investigation Service



Protecting you
during a HMRC Tax
Investigation

A sensible choice in this day and age

We recommend all our clients consider joining our Tax Investigation Service. Every year, HMRC carries out enquiries into the tax affairs of an increasing number of individuals and businesses in the UK. Many people find an HMRC enquiry disruptive, intrusive, stressful and ultimately expensive.

Should you join our Tax Investigation Service, you will benefit from the peace of mind that comes from knowing you are protected. Not only does it pay our professional fees in the event of a check on your tax affairs, it enables us to provide expert advice and guidance to you every step of the way.

Are you at risk of an enquiry?

There does not need to be a reason for HMRC to check your tax affairs. Every taxpayer who submits a tax return is at risk of being targeted.

Even if you have done nothing wrong, many tax enquiries are conducted at random.

Saving you money and stress

Our service will pay our professional fees that result from most types of HMRC enquiries or full investigation (full details are listed on the Service Summary).

We have taken out an insurance policy in our own name that is backed by Professional Fee Protection (PFP), one of the UK's leading providers. Our policy enables us to provide you with expert advice and peace of mind knowing we will work on your case to resolve the situation up to our service limits.

Fees are incurred regardless of innocence.

Our insurers tell us that in over 70% of cases more accountancy fees are paid than HMRC collect in tax, interest and penalties. Over 30% of cases have a nil settlement. Without our Tax Investigation Service there are no winners in a tax enquiry - other than HMRC.



Our insurers tell us around one third of all investigations result in a nil settlement and over 70% of cases result in clients paying more in fees than HMRC collect in tax!

Our Tax Investigation Service lets us support you when HMRC come calling

For limited companies and partnerships, the service offers inclusive protection for relevant individuals. When the business signs up, all directors, partners, their spouses and the company secretary of the business will also receive representation during an enquiry into their personal affairs as well as the business. This protection will not extend to rental income in excess of £50,000 per annum (before expenses) or any other business activities. We need to be acting as the tax return agent for the individuals in question.

What could an enquiry or full investigation involve for a business?

HMRC has the power to inspect business documents and assets at your premises, can ask for documents and information, make unannounced inspections and go back up to twenty years to investigate matters.

In recent years HMRC have launched various checks on specific industries. It is not uncommon for a business to receive a letter from HMRC advising that they want to carry out a routine VAT or PAYE check. This sounds fairly innocent but can often lead to a more in-depth enquiry because they are entitled to review all transactions across the business. IR35 and employment status disputes also seem to be on the rise.



There has never been a better time to subscribe to our Tax Investigation Service. Subscribing clients will have free access to a specialist Unannounced HMRC Visits Helpline.

HMRC can visit at any time and we think it is vitally important you can get the advice you need, when you need it.

Case study: Cross tax enquiry

HMRC launched a “cross tax enquiry” into an engineering company that encompassed a full review of all entries on the corporation tax return and four years of PAYE and VAT records.

It became evident very early on that HMRC were unsure exactly what they were looking for and were undergoing a fishing expedition.

The questions asked were very detailed and seemingly endless and after one meeting alone, over 100 questions followed. Despite the best efforts of the advisor, the enquiry dragged on for two and a half years. With only minor adjustments to be made, over £35,000 of fees were settled under the Tax Investigation Service.

What could an enquiry or full investigation involve for an individual tax payer?

Enquiries often involve a detailed examination of a specific item on a tax return whilst others may extend to a full review of an individual's personal affairs.

Since 2008, billions of pounds worth of extra tax has been clawed back and the reach of HMRC's 'Connect' database is ever growing.

We have experienced a number of enquiries asking for evidence to support the numbers reported on a tax return. A full investigation can involve protracted correspondence with HMRC and a recent example continued over a two year period where HMRC asked for worldwide bank statements and credit cards to evidence lifestyle.



Case study: Declared information

HMRC considered they had information to suggest a client had not declared all of their income. They launched an enquiry and refused to tell the client what information they held. The enquiry lasted for over three years and cost over £11,000 to deal with.

It turned out that HMRC's information was incorrect, but the accountant's fees were still settled under the Tax Investigation Service.

Service Summary

Our service helps to remove all of the stress involved when HMRC start to investigate. We know you and your business best and signing up to our Tax Investigation Service allows you to focus on the important things.

When you subscribe to our service we are able to make a claim against our insurance policy held with Professional Fee Protection in respect of our fees incurred (up to £100,000 per claim unless otherwise indicated) when we defend a client who is subject to any of the following events:

A full enquiry

This is an extensive examination which considers all aspects of the self assessment tax return. It will involve a comprehensive review by HMRC of all books and records underlying the entries made on the return. It will also feature the issue of a notice under S9A/S12AC TMA 1970 or paragraph 24(1) Schedule 18 FA 1998.

An aspect enquiry

This is where HMRC enquires into one or more aspects of the self assessment tax return which may involve clarification of particular entries, to detailed consideration of whether those entries have been treated correctly for tax purposes. It may involve a check on the records upon which the particular entries were based. It will also feature the issue of a notice under S9A/S12AC TMA 1970 or paragraph 24(1) Schedule 18 FA 1998.

A business inspection notice

This is where HMRC exercises its power to request entry to a person's business premises and inspect the business premises, assets, goods and documents. It will feature the approval of an 'authorised officer' of Revenue & Customs and the issue of an inspection notice for a short notice or unannounced visit or where the proposed inspection has been approved by the First Tier Tribunal. The notice will be issued under Schedule 36 paragraph 12(2) FA 2008.

VAT/PAYE/CIS compliance visit

This is where HMRC wish to carry out a routine PAYE/VAT/CIS compliance visit where it is considered that professional representation is necessary and the matter cannot be dealt with by the client alone.

VAT disputes

This is a challenge by HMRC to the accuracy or completeness of returns submitted. It will feature a disagreement over both the way in which VAT has been operated and over the amount of VAT due.

PAYE/NIC/CIS disputes

This is a challenge by HMRC to the accuracy or completeness of returns submitted in accordance with Pay As You Earn/CIS regulations. It will feature a disagreement over both the way in which PAYE/CIS has been operated and over the amount of PAYE/NIC due.

Employment status dispute

Where HMRC states that an individual previously classed as self-employed should have been subject to PAYE.

Inheritance Tax (IHT) cover

This relates to an estate or trust where our involvement is considered necessary following the submission of an IHT return which has been wholly prepared by us. The limit of indemnity for this is £5,000.

Gift aid inspections

Where a registered charity operating a gift aid scheme with HMRC is being reviewed. The limit of indemnity for this is £2,000.

Partners/directors cover

Where a partnership or limited company join we may also make a claim in the event of either an aspect or full enquiry into the personal returns of the partners and directors and their spouses and company secretaries (where we prepare the tax return). This automatic cover will not extend to rental income in excess of £50,000 per annum (before expenses) or any other business activities in excess of £15,000 per annum. We must also be the tax return agent at the time the enquiry commences.

Application for a judicial review

This is an application (during the course of a valid claim under the policy) to the Administrative Court to challenge a decision of an official where no other legal recourse is available to the applicant. The limit of indemnity for this is £5,000.

Code of Practice 8 investigations

This is where HMRC Specialist Investigations conducts an investigation in accordance with Code of Practice 8. The limit of indemnity for this is £5,000.

IR35 status check

This is where HMRC write asking if it has been considered whether the client falls within the scope of IR35. The limit of indemnity for this is £2,000.

IR35 disputes

This is where HMRC states a client should be subject to the IR35 legislation following a PAYE compliance visit or the issue of a notice under paragraph 24(1) Schedule 18 FA 1998. It will feature a disagreement over whether this legislation applies.

Interventions cover (informal enquiries)

This is where HMRC issue a routine letter or telephone call with a view to obtaining clarification on particular points on a self assessment tax return without the issue of a statutory notice and not dealt with or excluded under any other section of this policy. The limit of indemnity for this is £2,000.

National minimum wage

This is where HMRC wish to carry out a routine NMW compliance visit where it is considered that professional representation is necessary and the matter cannot be dealt with by the client alone.

The main exclusions in our service are as follows:

- The costs of making good any deficiencies in books, records, accounts or returns or work ordinarily capable of being done by the client.
- Claims that originate from any matter that existed before you join our service except where full disclosure has been made and the increase in risk has been accepted in writing.
- Tax Credit enquiries.
- CIS gross payment status disputes.
- Returns that have been submitted more than 90 days late.
- Any claim involving the Civil Investigation of Fraud procedure (Code of Practice 9) or Specialist Investigations except where a Code of Practice 8 booklet has been issued.
- Voluntary disclosures.
- Tax planning arrangements.
- Domicile.
- Wind up/liquidation (not MVL).
- Cases where there has been a failure to notify a source of income/capital disposal

Full details available on request.



Coronavirus Job Retention Scheme and Furlough payments

With a budget deficit of over £355 billion, we fully expect HMRC to raise more enquiries this year to increase tax revenue and plug the hole left in the government's finances due to the economic damage caused by COVID-19.

For those who have relied on a COVID-19 support scheme such as the CJRS (furlough scheme), it is likely that HMRC will be looking a lot more closely at tax returns, payments and compliance histories. Tax and VAT repayments will also be checked more rigorously alongside the usual full tax investigations.

Naturally, this will result in many furlough claims being investigated by HMRC. Most of the claimants will not have abused the scheme in any way, however some innocent errors will have been made. As always, it will not only be the fraudulent cases that are selected for review.

Aside from this, there is also an expectation that the number of compliance checks being undertaken outside of the job retention scheme will also increase significantly. Again, this will inevitably result in innocent taxpayers facing potentially thousands of pounds in unexpected accountancy fees.

With this in mind, we recommend that you consider subscribing, giving us the opportunity to support and protect you throughout the process of a tax investigation should you be a target of HMRC.

Frequently Asked Questions

What is a Tax Enquiry and Investigation Service?

It is a Service set up by us and is backed by an insurance policy we have taken out in our own name with Professional Fee Protection (PFP) and protects our clients who suffer a tax enquiry. For a small annual fee, you can join our service and obtain the benefits described on the Service Summary. When you subscribe to our service we are able to make a claim against our insurance policy held with PFP in respect of our fees incurred.

I have done nothing wrong, why should I be worried about a tax enquiry?

Most tax enquiries are generated by computer 'risk profiling' and many are selected completely at random. As a result, anyone can be picked for investigation, even if you have done nothing wrong.

Are compliance checks into Furlough Payments included?

We anticipate these will be covered where Furlough payments are checked by HMRC as part of a routine PAYE compliance check. Cover would not extend to situations where the rules surrounding the schemes have not been adhered to or deliberate failures are identified or HMRC Fraud Investigations Service are involved.

I have only just engaged you as my accountant and you have not yet filed a return for me, should I wait to join?

Once you join the service, you will be protected against our fees relating to enquiries raised into previous years, even if we did not prepare the return. Exclusions to this would include any fees incurred by the previous accountant and any fees relating to the reconstruction of books and records that have been poorly maintained.

My company hasn't yet filed its first corporation tax return with HMRC

If the company has employees and/or is VAT registered, there are still advantages of joining the service before the first corporation tax return is filed, for example, in the event of a PAYE or VAT enquiry.

I have already got some protection through a trade subscription or policy e.g. FSB.

The cover offered by these types of protection is often not as wide ranging as the service we offer. Such policies are not likely to pay our fees to look after you and may instead bring in an outside consultant who does not know you.

If I have missed the filing deadline for my return, am I still covered?

Returns which have been submitted more than 90 days late will be excluded from the service.

Who are Professional Fee Protection (PFP)?

PFP are specialist providers of Tax Enquiry Insurance. They pioneered fee protection in the UK over 30 years ago. They have protected over 600,000 different businesses and individuals. They are committed to working in conjunction with us, thus ensuring your interests are fully protected.

How do I join or obtain information?

To subscribe to our service, payment for the amount due should be sent as stated on the accompanying letter/response slip. If you need any more information, we can provide this by email or post.

HMRC have the powers to make unannounced visits to any business

It is not uncommon for HMRC to visit a business unannounced. In some cases this could be late at night, if your business is open.

When faced with this very real threat it is important you have the support and advice of an expert 24/7 and 365 days of the year. The 'out of hours' helpline will do this for you.

When HMRC Arrives Unannounced

- Call us prior to allowing entry. If this is outside our office hours, call the out of hours helpline and then call us first thing in the morning to notify us.
- Check ID with HMRC (call them) and establish what the role of each person is in the inspection.
- Check if the notice is signed by an Authorised Officer or a Tribunal. If signed by Tribunal you may be fined £300 for refusal to allow them in without a reasonable excuse (we have never seen this happen but it is possible).
- Check date and time of notice is correct.
- Ask why the visit could not have been pre-arranged
- If after 5pm ask why they could not have come earlier

You do not have to let them in!

If the visit goes ahead - HMRC do not have the right to;

- Insist on entering the premises.
- Enter a domestic dwelling not used for business.
- Search the premises - they can only request to inspect business premises and documentation.
- Interview you or your staff.
- Insist a trader cashes up other than at a time they would normally do so in the course of trade.
- Inspect cash unless part of trading stock.

Clients who join our Tax Investigation Service will be provided with access to a free helpline that offers expert advice on how to deal with this situation 'there and then'. Should you receive an unannounced visit from HMRC outside our office hours, you will have the peace of mind of instant access to an expert to advise you accordingly.

When you subscribe to our Tax Investigation Service you benefit from access to a free client legal helpline.

The helpline gives you direct access to support from legally qualified advisors from one of the UK's largest law firms. The features include:

- Unrestricted access to the service 24/7, 365 days a year
- Ability to contact the team about any commercial UK legal problem including but not restricted to:
 - commercial litigation and dispute resolution
 - employment contracts/restrictive covenants, disciplinary/grievance issues, unfair dismissal and CJRS/Furlough
 - property and landlord/tenant queries
 - pensions
 - health and safety
- Legal support on HMRC 'unannounced' visits

This is a telephone based service that offers general and preliminary legal support. Typically over 99% of the queries given to the helpline can be supported under this free service. Please note that the service does not extend to corresponding with third parties, only with the individual about their legal rights.



Many tax enquiries are conducted at random so you could find yourself at the centre of a tax enquiry at any time, even if you have done nothing wrong.



The professional fees associated with a tax enquiry can amount to thousands of pounds. These costs are additional to our normal annual fees.



We know and understand your business and personal financial affairs and want to provide you with the best possible defence saving you time and money.



HMRC opened 265,000 investigations into taxpayers in 2021/22 - this is up from 256,000 the previous year.

Contact us

Call us on 01487 813731 (ext 2700) or visit your local office for more information.

Details on your local office can be found at www.whitingsllp.co.uk