

Hazlewoods

Tax Investigation Service

**Mind the Gap...**

A hiker with a red backpack and yellow shirt is seen from behind, navigating a rocky trail. The hiker is wearing a yellow long-sleeved shirt, grey leggings, and a red backpack. They are holding a trekking pole and looking down at a gap in the rocky terrain. The background shows a rugged, rocky landscape with some greenery.

**HMRC enquiries  
are on the rise**



# £843bn

## Total Tax Revenues

### What could an enquiry or full investigation involve for an individual taxpayer?

Last year HMRC collected over £41bn through tax investigations.

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 or business affairs.

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.

### Case Study: Incorrect Information

HMRC opened an enquiry into an individual suggesting a client had not declared all of their income on their tax return. HMRC then refused to disclose to the client what information they held.

The enquiry lasted for over three years and cost over £15,000 to deal with in accountancy fees alone.

It turned out that HMRC's information was incorrect and that no tax penalties or interest were due. However the accountant's fees were still settled under the Tax Investigation Service.

### Case Study: Cross Tax Enquiry

HMRC launched a "Cross Tax Enquiry" into a manufacturing business that included a full review of the entire corporation tax return and four years of PAYE and VAT records.

From the outset it became clear that HMRC were unsure exactly what they were looking for and were undergoing a fishing expedition.

The questioning became increasingly onerous and seemingly endless. After one meeting alone, dozens of questions followed. Despite the best efforts of the advisor, the enquiry dragged on for over two years, resulting in only small adjustments and over £20,000 of fees were settled under the Tax Investigation Service.

### What could an investigation mean for you and your 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.

It is likely HMRC will be looking a lot more closely at compliance history, tax returns and payments. Tax and VAT payments may also be checked more rigorously alongside the usual full tax investigations. IR35 and employment status disputes are likely to be more prevalent.

# 320,000


The number of compliance checks HMRC completed into taxpayers in 2023/24.

# £3,800

The average professional fees associated with a tax enquiry. Enquiries can be stressful, time consuming and above all expensive. These costs are additional to our normal annual fees.

# 36%

Is the approximate number of enquiries by HMRC, in 2022, that resulted in a nil settlement. No further tax penalties or interest were collected by HMRC.



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