

# When HMRC comes calling, we're here for you.

## Tax investigations update



HMRC have announced record revenues in 2017/18 generating £605.8bn, an increase of 5.4% on the previous year, and will be looking to improve on this growth in 2018/19.

A large proportion of this, £30.3bn, came from compliance activity into error, avoidance and evasion, 5% higher than the previous year.

These figures will continue to grow as the government has tasked HMRC to maximise the revenues due and clamp down on avoidance and evasion.



## Individual customers

**We have seen an increased focus on property risks for individuals, fed by information from HMRC's Connect software.**

£2.7bn of additional tax was generated from compliance activities in this customer group, at an estimated cost of £320m. These are individuals with an income below £150,000 and assets valued at under £1m.

**£2.7bn** generated by HMRC



## Wealthy individuals

**We have noticed that residence and domicile positions have increasingly been challenged.**

£1bn of additional tax was generated from compliance activities in this customer group, at an estimated cost of £135m. These are defined as individuals having an income over £150,000 or assets above £1m.

**£1bn** generated by HMRC



## Small businesses

**Scrutiny we have seen in this area centres on transactions in cash, the level of payments made to directors and key employees and expenses of the business.**

£5.4bn of additional tax was generated from compliance activities in this customer group, at an estimated cost of £525m. This customer group comprises incorporated or unincorporated businesses with a turnover below £10m and fewer than 20 employees.

**£5.4bn** generated by HMRC



## Mid-sized businesses

**The type of activity we have seen in this area includes cross-tax enquiries, checking the tax position across multiple taxes.**

£3.5bn of additional tax was generated from compliance activities in this customer group, at an estimated cost of £225m. This customer group comprises incorporated or unincorporated businesses with a turnover between £10m and £200m or 20 or more employees.

**£3.5bn** generated by HMRC



## Large businesses

**We have noticed HMRC change the way they risk assess large businesses and focus on Base Erosion and Profit Shifting (BEPS), the response to tax avoidance by multinational corporations.**

£9bn of additional tax was generated from compliance activities in this customer group, at an estimated cost of £205m. This customer group comprises incorporated or unincorporated businesses with a turnover exceeding £200m.

**£9bn** generated by HMRC

## What you should know

The total yield from compliance activity in these customer segments was £21.6bn, and a total estimated spend of £1.4bn was required to bring this in. HMRC have chosen to highlight the compliance yield and related spend because it sees these as successful outcomes.

Accordingly, we can expect HMRC to continue to invest in compliance activity across these customer sectors, perhaps focussing on improving efficiencies in those areas where the return is lower. **With ever-increasing HMRC compliance activity, the likelihood of being subject to an enquiry has never been higher.**

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Our tax investigations package offers businesses and individuals protection to ensure that in the event of an HMRC enquiry our accountancy fees in dealing with the enquiry are provided for.

## Our tax investigations package offers:

- Up to **£75,000** of accountancy fees
- Full representation to HMRC on your behalf including handling all correspondence and interaction, along with attending any HMRC meetings
- Comfort and peace of mind that we can provide a robust defence against HMRC