

A major enquiry can seriously disrupt your business; while a self assessment personal tax investigation can be prolonged, detailed and intrusive.

If you have deliberately tried to conceal information and are found out, you could be fined or even sent to prison.

Most tax investigations begin because HMRC have reason to believe that some aspects of your tax return or business accounts are wrong.

They may have received a tip off, some figures in the tax return may not tally with other information they have, or the return may have been sent in late.

Random investigations

HMRC also randomly selects a proportion of tax returns every year. In the first two years of self-assessment, some 15,000 returns were investigated.

HMRC will write to you to let you know that your affairs are being investigated although they will not normally give the reason behind their decision to launch an enquiry.

Most investigations are handled by local tax office inspectors with specialist training and experience. They know what to look for and are well versed in the excuses trotted out by wayward taxpayers who have underpaid their tax.

HMRC's new enquiry powers

HMRC have received substantial new powers with effect from 1 April 2009 as enshrined in the Finance Act 2008. The penalty regime has been tightened and their inspection powers broadened dramatically. This is all in line with the Governments aim of collecting more tax.

For the first time, for corporation tax, income tax and capital gains tax, HMRC will have powers to access records before returns are filed, and to arrive unannounced to check the records. HMRC will also routinely have access to business premises and assets and will have the right to copy or remove documents.

Whatever happens, taxpayers' affairs will be dealt with confidentially and information will only be disclosed to people that the individual agrees it may be given to, such as a tax accountant or other advisers.

HMRC, can however, ask former employers, customers, suppliers or colleagues for information relating to its investigation.

The taxman is not required to give reasons for the enquiries it makes but it can identify areas that it wants to delve into.

If the problem appears to be a simple one of omission, it can ask taxpayers to answer specific questions or provide documents that might answer the question.

If it is discovered that tax has been underpaid, the taxpayer will have to pay what is due plus any penalty or interest accrued. These enquiries can last for many years depending on the complexity of the enquiry.

Fraud

In serious cases of fraud, the Special Civil Investigations of Fraud Unit or the Special Civil Investigations section of HMRC can be involved. These are the HMRC's elite units responsible

for the most high-profile investigations.

In cases where minor amounts of income have been undeclared or where small mistakes have been made on the return, normally the matter can be cleared up with a few phone calls and submission of relevant pay slips.

But where serious fraud (amounts of more than £75,000) is concerned, HMRC can start to request information from banks, accountants and other parties if it is the tax inspector's "reasonable opinion" that this will help the investigation.

Please call us for a free, confidential discussion as to how we can help you get through the civil investigation of fraud process.