

# HMRC may have you in their sights...

Protect yourself with our Tax  
Investigation Service



## Service Summary

**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.

**VAT/PAYE Compliance Visit Cover** – This is where HMRC wish to carry out a routine PAYE/VAT Compliance Visit where it is considered that professional representation is necessary and the matter cannot be dealt with by the client alone. The limit of indemnity for this cover is £1,000.

**Pre-Dispute Cover** – This is where our involvement is considered necessary following a routine inspection/Compliance Visit by HMRC. The limit of indemnity for this cover is £1,000.

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

**Employment Status Dispute** – Where HMRC state that an individual previously classed as self-employed should have been subject to PAYE.

**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. You must also be the tax return agent at the time the enquiry commences.

**A Business Inspection Notice** – This is where HMRC exercise their 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.

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**Application for a Judicial Review** – This is an application (during the course of a valid claim under our service) 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 cover is £5,000.

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

**IR35 Status Check** – Where HMRC write asking if you fall within the scope of IR35. The limit of indemnity for this cover is £1,000 per claim.

**IR35 Disputes** – This is where HMRC states a you 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 our service. The limit of indemnity for this cover is £1,000 per claim.

**The Main Exclusions in our service are as follows:**

- The cost of making good any deficiencies in books, records, accounts or returns.
- Claims which originate from any matter which existed before the first period of insurance except where full disclosure has been made and the increase in risk has been accepted in writing.
- Minimum Wage, Student Loan, CIS and Tax Credit Enquiries.
- Returns which have been submitted more than 90 days late.
- Fraud Investigation Service or Specialist Investigations Enquiries other than where a Code of Practice 8 Booklet is issued.

**Full details available on request.**

# Client Legal Helpline

## Subscribers to the service benefit from the client legal helpline

- Advice from a dedicated team of legal consultants, barristers, solicitors and legal executives
- Unrestricted access to use the service
- You can call regarding any commercial legal problem:
  - Legal contract matters
  - Landlord and tenant or property queries
  - Employment and health and safety matters
- A significant feature of this service is its immediacy

The client legal helpline service is provided by telephone. Consultants will not enter into correspondence with members.

### Arkadia Limited

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## Frequently Asked Questions

### **I've done nothing wrong, why should I worry about a tax enquiry?**

Most tax enquiries are generated by computer "risk profiling" and many are selected completely at random. As a result, HMRC sometimes picks the wrong targets. Even if you have done nothing wrong, the taxman will not give up and will still try hard to find errors.

### **Can anyone's tax affairs be scrutinised by HM Revenue & Customs?**

Anyone who submits a tax return can come under scrutiny. Every year, HMRC start enquiries into many thousands of personal and business tax returns and accounts. VAT and PAYE payments are also thoroughly checked. The aim in every case is to collect more tax. HMRC has collected £26.6 billion from tax investigations in the last year.

### **I need to reduce my spending in the current economic climate**

Not paying the annual cost could be a false economy. The potentially high costs of defending you in an enquiry would be much less affordable than the small annual charge. One thing is certain – HMRC does not stop making enquiries into tax returns. The amount of debt the government is in at present is only likely to increase the potential threat of an investigation!

### **I don't think I need protection**

Like any other protection to meet an unexpected cost, everyone hopes that they don't need it but when a costly enquiry starts, clients are glad that they've paid the small annual charge.

### **I've already got some protection through a trade subscription or policy. e.g. FSB**

Such cover will normally be limited and not as wide ranging as the practice service. Such policies are not likely to pay our fees to look after you and may instead bring in an outside consultant who doesn't know you.

### **How much could a tax enquiry cost me in professional fees?**

The questions asked by HMRC are usually very detailed and time-consuming to answer. The costs of defending you can easily run into thousands of pounds, even if little or no extra tax is paid at the end of the enquiry. These costs are not protected by the normal annual fees paid to us.

### **Is there anything I can do for peace of mind?**

You can subscribe to our Tax Investigation Service which will protect you for the work and costs of defending you in the event of a tax enquiry by HMRC.

### **What is a Tax 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 reverse of this sheet. The Service is backed by an insurance policy that the practice has arranged through Professional Fee Protection. 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.

### **What are the main benefits to subscribing clients of this Service?**

- We will defend you, if and when you are selected for a tax enquiry by HMRC
- The potentially high costs of professional fees for that defence will be claimed under the practices' insurance policy
- It will not be necessary to accept unreasonable tax charges by HMRC due to concerns about professional fees
- You will also get free access to a 24/7 business legal helpline

### **What is protected by the Service?**

Under the Service, subscribing clients will be fully protected and the practice will claim under our own insurance policy for up to £100,000 of professional costs, in the following circumstances:

- A HMRC enquiry into a personal or business tax return
- A HMRC enquiry into any business accounts, including those of sole traders, partnerships and limited companies.
- A dispute with HMRC where additional VAT is being pursued
- A dispute with HMRC where additional PAYE tax or National Insurance Contributions is being pursued
- A dispute with HMRC relating to the tax status of employees or subcontractors

### **What is protected by the business fee?**

To ensure seamless protection, the business fee protects enquiries into the tax returns of the directors, partners, and their spouse and company secretaries providing we prepare their tax returns. However, where the individual has self-employment income (outside of the main business) and/or gross rentals received as landlords that total £50,000 each or more per annum, then a separate Business Client fee is payable.

### **What is not protected by the Service?**

Some costs will not be protected under the Service, including the following:

- Outstanding taxes, penalties, interest or any other amounts due to HMRC
- Defence of clients in criminal prosecution cases or serious fraud enquiries
- Fees relating to pre-existing tax enquiries, or enquiries where tax returns were submitted to HMRC later than the statutory time limits (90 days)
- Tax avoidance schemes

### **How do I join or obtain information?**

To subscribe to the Service, a cheque for the amount due should be sent to us unless otherwise stated. If you need any more information, we can provide this by email or post.

### **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. Their fee protection scheme is backed by the worldwide AXA Insurance group. They are committed to working in conjunction with us, thus ensuring your interests are fully protected.

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