

HMRC is making its move on tax compliance

Sale of land attracts Revenue interest

Separate enquiries were opened into the returns of both husband and wife, which concentrated on the sale of their principal private residence and associated 13 acres of land. The inspector's focus was on the valuations used within the original Capital Gains Tax computations which suggested that there was no gain.

The inspector obtained separate valuations from the Valuation Office which, when incorporated into the computations, suggested a gain in excess of £100,000. The revised valuations were challenged culminating in a meeting with the valuation officer and a more reasonable agreement was reached. Whilst this still left a small potential gain, this was more than covered by offsetting improvement costs which had not previously been incorporated.

The final result was a nil settlement and a very satisfied client; particularly as the £4,400 cost of the enquiry was reimbursed by their tax investigations service.

Welcome relief for a hotelier

HMRC opened an Aspect enquiry into a guesthouse focussing on a number of areas: claims for repairs & renewals as well as capital allowances, interest payments and private usage element of premises costs.

In total the expenditure HMRC were seating to challenges and disallow amounted to £80,000 which even at basic rate would have added £16,000 to the partnership's tax bill.

After 18 months of sometimes heated correspondence HMRC had to settle for additional tax of £200.

The fees, however, totalled £3,600 and both client and practice are well aware that without the tax investigation service the result would have been for more favourable to the Revenue.

Garage faces the music

An investigation started in March 2009 into a garage with a turnover in excess of £250,000 which had made a small loss for tax purposes. As a result the owner had taken a relatively low salary from the business and these issues may have been the driver for the HMRC enquiry.

Business records were made available, but no major errors were identified. Nevertheless, the Inspector continued the enquiry focusing on the director's personal income and expenditure, as the Inspector had identified deposits into the director's private bank account contending that these should be treated as business income and taxable on the Company. It was also suggested that similar 'additional income' would have been received in earlier years.

Several meetings the director and Inspector followed to discuss the concerns and explain the origin of the deposits. Eventually, the Inspector accepted that they did not arise from business activities and so were not taxable. The enquiry was concluded with no adjustments being made to the declared Self Assessment.

Unfortunately, the enquiry still took 14 months to conclude and the costs for defending the client were in excess of £5,000. Fortunately, the client had the benefit of our Tax Investigations Service and so had nothing to pay!

