

# Don't gamble with the taxman.

## Tax investigations update



Can you honestly say there is no chance of you or your business being selected for a tax, VAT or PAYE investigation by HMRC? Can you really assume it will never be you despite everything HMRC now knows? Can you afford to take the risk? You can't! **Here are five sources of information HMRC uses to select investigation targets.**



### Technology

Underpinning all of HMRC's data gathering is Connect.

Sometimes referred to as HMRC's 'Snooper Computer' in the media, Connect holds a massive 22bn lines of data, including access to all credit and debit card payments made to UK businesses via merchant acquirers – the companies that process card payment transactions.

Since Connect was launched in 2010, it has helped generate more than £3bn in extra revenue.

The success of Connect has prompted the government to invest a further £155m in more resources and technology for HMRC, which is forecast to generate £2.3bn in additional tax revenue. Ultimately this will come from you.



95%

Connect now delivers 95% of cases for HMRC's compliance teams equating to around one million cases.



### Informants

HMRC has launched a new hotline for the public to report suspected tax irregularities.

The reports can include anything such as suspected undeclared income from holiday homes, potentially dubious tax credit claims, hidden bank accounts or unrecorded cash jobs.

Reports are often made by jilted partners at the end of a personal relationship, jealous neighbours, business competitors trying to disrupt their rival's business and former employees with a desire to strike back at the employer who let them go.

All of the reports are fed into Connect and form part of the risk assessment process as tax returns are selected for enquiry or businesses chosen for a VAT inspection.



HMRC received over 113,000 reports from the public during the last financial year. Over 80,000 of these were tax related.



## Lifestyle

Whilst social media is ideal for sharing news of a luxurious holiday or the purchase of a brand new car, HMRC takes a completely different look at the posts compared to friends and followers.

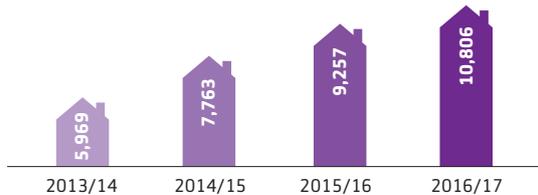
Facebook, Instagram, LinkedIn and Twitter are all fertile sources of information for HMRC as forensic analysts check for evidence of lifestyle spending in excess of declared income.

In a similar vein, mortgage applications can lead to tax investigations. The Mortgage Verification Scheme is a joint initiative between HMRC and mortgage lenders. It enables lenders to check income declarations on mortgage applications with HMRC data.

However, if there is a discrepancy with less self employment income declared on the tax return compared to the mortgage application, an enquiry is almost inevitable.



**The number of referrals passed 10,000 for the first time during 2016/17. As this number steadily grows so does the chance of being investigated.**



## Offshore

**Over 100 countries have signed up to the Common Reporting Standard (CRS) which enables tax authorities around the world to automatically share financial information.**

Early adopters of the CRS including France, Germany, Holland, Poland and Spain have already started to exchange data on reportable accounts, assets and investment income collected from banks, brokers and insurance companies.

As you would expect, HMRC is busily working through the information it is receiving and looking for suitable tax returns to investigate.

Whether it is offshore property or offshore bank accounts, invariably HMRC is interested in establishing the source of the original capital used to acquire the property or open the account.



**It is not just bank account numbers which are being passed on, but the balances held in the accounts too as HMRC continue to dig for reasons to launch an enquiry.**



## Property

The Land Registry provides HMRC with a rich stream of information about property transactions, including the purchase date and price, the sale date and price, as well as the names and addresses of the parties involved.

Checks are then made to see whether a property which has changed hands is being lived in as a private residence or whether the Voters' List entries suggest a property being let to multiple occupants.

If numerous unrelated people are living under the same roof, HMRC will then usually look for evidence of any housing benefit payments, whether being paid to the tenants or landlord.

Tax inspectors have become adept at using Google Earth to examine whether any external home improvements have taken place and will ask where the money came from to fund it.



**Nearly £5m a month is now being collected by HMRC from landlords via the Let Property Campaign.**

## Wide horizons

HMRC's ability to gather information extends far and wide, home and abroad, as it sets out to beat last year's record £28.9bn compliance result.

These days HMRC's investigations are rarely speculative. They are launched after a thorough trawl of hard financial data and social media posts.

### Don't get caught out!

### Subscribe today

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

Our tax investigations package offers:

- Up to **£100,000** 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