



Over the last year, there has been significant concern about HM Revenue & Customs (HMRC) proposals to modernise its legal powers. Although HMRC has been open throughout the consultation process and has included amendments to the proposed legislation and guidance, there has been a lack of clarity around how some of the changes will be applied. To assist you in navigating the changes, A&M Taxand UK has summarised the main points and their impact on you.

Information and Inspection Powers

HMRC has the authority to ensure that tax returns and claims are correctly filed, record keeping requirements are being met, taxes have not been underpaid, and any tax avoidance schemes that are being operated have been disclosed and are being correctly implemented. From 1 April 2009, HMRC will align its compliance checking powers for the main taxes (Income Tax, Corporate Tax, Capital Gains Tax, VAT, PAYE, NIC and the Construction Industry Scheme). There will be significant changes in relation to direct taxes, which are currently subject to self assessment enquiries.

Under the new powers:

- **You might receive an invalid notice.** There are significant changes to HMRC's legislation and guidance. Inspectors will have received training on the new rules and processes, but will not need to obtain authorisation to obtain a notice. Clients should ensure that HMRC does not overstep its new powers, and applies the rules and guidance in a consistent manner.

A&M Taxand UK professionals can assist you in confirming that an information notice is reasonable and proportionate, respond to a request for information and review the documents to be provided.

- **You might receive an information notice before a return has been submitted.**

HMRC can make "real time" information requests to check future, current and past tax positions, even when there is no formal enquiry.

A&M Taxand UK professionals can ensure that your compliance, systems and records are accurate; disclosures are robust; and that transactions are implemented properly, in preparation for information requests and visits from HMRC.

- **You might be subject to an unannounced visit from HMRC inspectors.**

HMRC can make inspections of documents, assets and goods kept at business premises. This is already the case for PAYE and VAT. HMRC should only undertake this procedure when "reasonably required." Inspectors are not permitted to force entry, conduct a "search" of your property or inspect property used solely as a private residence. HMRC is normally required to provide at least seven days notice. However, if an advance notice has the potential to jeopardise an investigation, HMRC can make unannounced visits with the approval of a senior officer. Taxpayers can be fined up to £300 if they do not provide access to an Inspector.

A&M Taxand UK professionals can assist you in preparing for a visit, supervise an inspection and any associated questions, and provide support in an appeal against a penalty. If you receive an unannounced visit, this indicates that HMRC believes it has evidence for a case of a serious nature. Please contact us as soon as possible.

- **You might be asked to allow HMRC to inspect your computers.**

Authorised officers will be permitted to check the operation of computers and other information technology systems used to produce relevant documents. HMRC also has the power to require taxpayers to provide reasonable assistance in accessing computer records.

A&M Taxand UK professionals can ensure that your systems are robust and organised to keep disruptions to a minimum.

- **You will have restricted rights to appeal against HMRC information notices.**

In some cases, where HMRC has obtained approval from the First-tier Tribunal to issue a notice, or the notice

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Together with its affiliate in the US, Alvarez & Marsal Taxand UK is part of Alvarez & Marsal, a leading global professional services firm founded in 1983 to provide operational and financial leadership, problem solving and value creation to corporates and stakeholders around the world. Alvarez & Marsal Taxand is also a founding member of Taxand, the first global network of leading advisers from independent member firms operating in more than 45 countries with 300 partners and 2,000 tax professionals, serving the global business tax marketplace.

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relates to a “statutory record” (such as sales and purchase invoices, accounts, contracts), there will be no right of appeal.

A&M Taxand UK professionals can assist clients in understanding their rights and how to file an appeal.

- **Taxpayers may receive a tax-related penalty when the appropriate information is not provided.**

In exceptional cases, HMRC may charge a penalty based on the monetary amount of underpaid taxes, in addition to the fixed and daily penalties, where HMRC has reason to believe that continued failure to provide information or documentation is resulting in a significant tax loss to HMRC.

A&M Taxand UK professionals can assist taxpayers in appealing a penalty charge.

Tax Disputes and Investigations

A tax investigation by HMRC—whether into allegations of serious tax fraud, an anti-avoidance arrangement or an in-depth enquiry—can be stressful, expensive and time consuming for any taxpayer. Diverting key leaders from their crucial roles of running the business and keeping it profitable can adversely affect relationships with banks, customers and suppliers.

Alvarez & Marsal Taxand UK brings a dedicated Tax Disputes and Investigations team to offer highly experienced support to you in quickly concluding investigations or proactively minimising the risk of an enquiry. Our goal is to minimise the tax at risk and keep penalties and interest to an absolute minimum. Our professionals will handle an investigation in its entirety, allowing you to focus on your existing day-to-day roles. Alternatively, we can serve as advisers to you at crucial junctures in the investigation process.

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