



# Tax Fee Protection: Your questions answered

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# Your hosts



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# About us



**400+**  
people

Winner of

**Tolley's**  
**TAXATION**  
Awards 2024

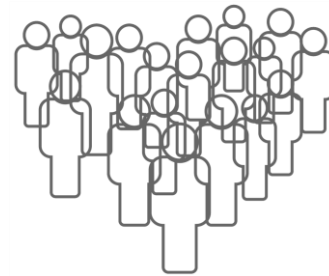
2024 Winners for Best  
Business Tax Practice



Offices in north London  
and central London



Certified B Corporation



50+ members of our tax team

# What we'll be covering

- / What is a tax investigation service?
- / How are HMRC hitting targets?
- / Main risk areas
- / What are the implications of not having it?
- / Client examples

# What is a tax investigation service?

- / Reimburses your professional costs in the event you are selected for enquiry by HMRC

## Why do you need it?

- / HMRC compliance activity is on the increase and becoming more complex and time consuming to deal with
- / Peace of mind
- / No conceding to HMRC demands on commercial grounds

# How are HMRC going to hit targets?

- / Better targeting via Connect
- / More targeted campaigns
- / HMRC's growing persistence and unwillingness to walk away without a result
- / Growing penalty regime with introduction of MTD



# Connect

HMRC may observe, monitor, record and retain internet data which is available to anyone

This is known as 'open source' material and includes:

- / News reports
- / Internet sites
- / Companies House and Land Registry reports
- / Blogs and social networking sites where no privacy settings have been applied

# Connect – what does it hold?

- / Social media posts
- / Merchant acquirers
- / Banks and building societies
- / Tax evasion hotline
- / Property based information – Land Registry, letting agents, mortgage applications
- / Foreign data



# Connect – how is the data used?

- / Campaigns
- / Taskforces
- / Investigations
- / Criminal prosecutions
- / Shared with other Government agencies

# What's covered?



## Professional fees incurred in respect of:

- / Corporation tax and income tax full or aspect enquiries
- / PAYE/NIC compliance checks
- / IR35/employment status/CIS enquiries and disputes
- / VAT compliance checks
- / Business record checks
- / Inheritance tax / probate return enquiries
- / Stamp duty and stamp duty land tax enquiries
- / National Minimum Wage / National Living Wage enquiries
- / Child tax credit enquiries
- / Student loan enquiries
- / Gift Aid enquiries
- / Companies House confirmation statement enquiries
- / Auto enrolment return enquiries where the policyholder has been engaged to complete the appropriate reporting statements and declarations

# What's not covered?



## Any fees or costs:

- / Relating to a criminal prosecution or an enquiry conducted by HMRC under the Civil Investigation of Fraud procedure (Code of Practice 9)
- / Relating to any claim arising from an enquiry into a tax return that was not submitted within 90 days following expiry of the statutory time limits
- / In respect of any claim made, brought or commenced outside the territorial limits
- / Any taxes, interest, penalties and fines or any other duties
- / In any claim where the client has adopted a tax avoidance scheme

# Small businesses: population 5.7m

Small businesses represent more than 95% of businesses in the UK. In 2020 to 2021 they were defined as having turnover below £10 million and typically fewer than 20 employees

**£70bn**

Estimated PAYE  
and NIC receipts  
collected

(to nearest £5bn)

**£75bn**

Estimated receipts  
– other taxes,  
including  
corporation tax,  
VAT, excise duties,  
capital gains tax  
(to nearest £5bn)

**£5.3bn**

Estimated  
compliance yield  
generated from  
our activities  
(to nearest £0.1bn)

**£480m**

Estimated spend  
on compliance  
activities  
(to nearest £10m)

**£15.1bn**

Tax gap estimate  
for 2019 to 2020  
(to nearest £0.1bn)

# Midsized businesses, charities and public bodies: population 200,000+

Mid-sized businesses make up less than 5% of UK businesses, but some are growing rapidly, making their tax affairs increasingly complex. In 2020 to 2021 they were defined as having turnover between £10 million and £200 million or typically 20 or more employees.

**£120bn**

Estimated PAYE and NIC receipts collected  
(to nearest £5bn)

**£50bn**

Estimated receipts – other taxes, including corporation tax, VAT, excise duties, capital gains tax  
(to nearest £5bn)

**£3.1bn**

Estimated compliance yield generated from our activities  
(to nearest £0.1bn)

**£260m**

Estimated spend on compliance activities  
(to nearest £10m)

**£5.0bn**

Tax gap estimate for 2019 to 2020  
(to nearest £0.1bn)

# Claims: three examples

## 1. Corporate client: cross-tax enquiry

- / Nature of business: renting & leasing of trucks
- / Enquiry commenced in January 2020 and remains ongoing
- / Fees to date: £24k and rising
- / A wide-ranging enquiry involving a review of CT, Personal Tax, VAT and PAYE
- / Outcome: ongoing. Focus at the moment is VAT whilst awaiting delayed information from HMRC and a potential complaint

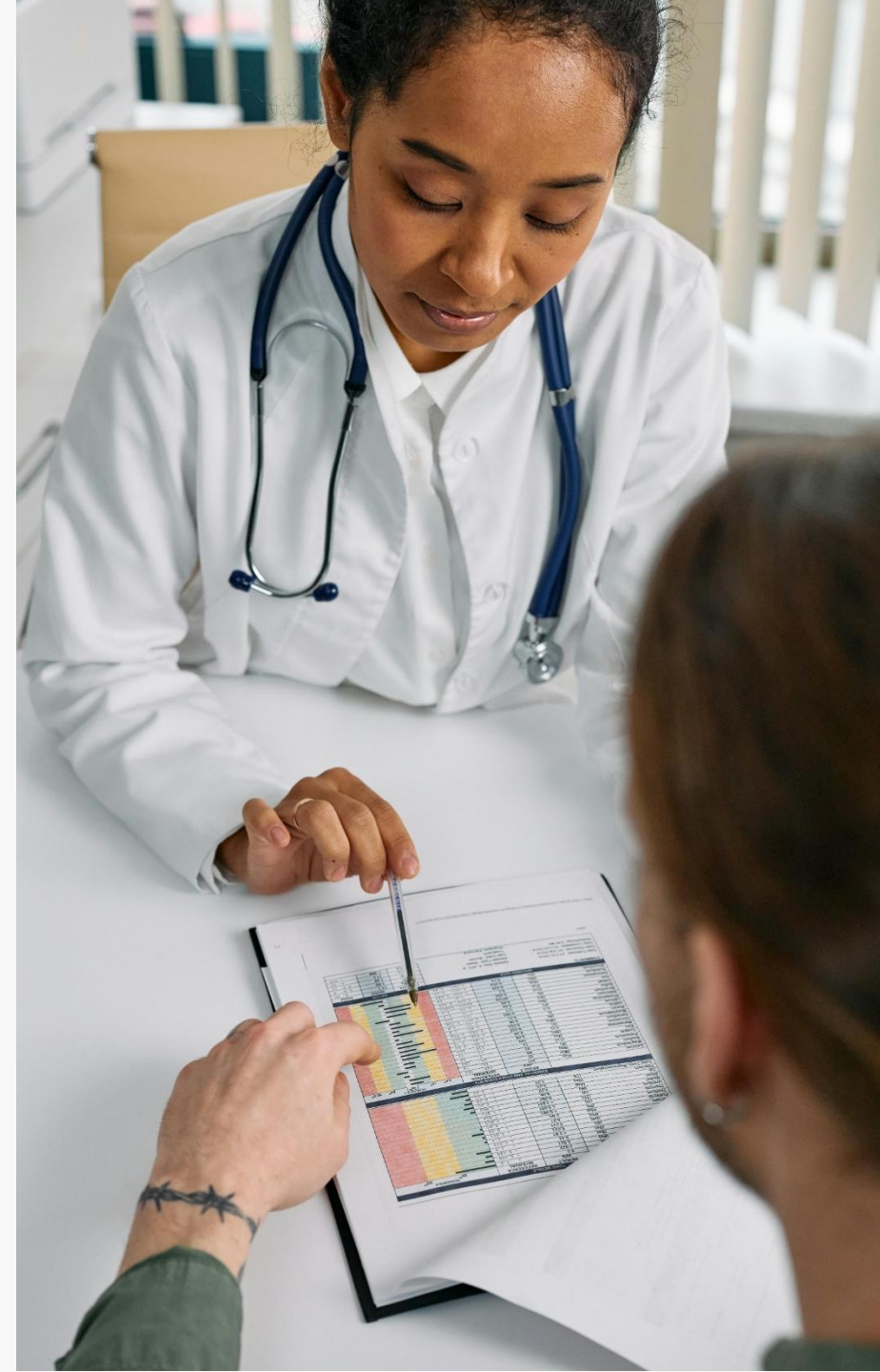




# Claims: three examples

## 2. Corporate client: VAT enquiry

- / Nature of business: cosmetic
- / Enquiry commenced In January 2018 and concluded in April 2022
- / Fees incurred: £12k
- / A difficult enquiry centring in on the application VAT rules relating to what is classed as a medical procedure and what is cosmetic
- / Delayed due to pandemic
- / Outcome: HMRC backed down as out of time





# Claims: three examples

## 3. Personal tax client

- / Enquiries commenced in April 2023 and have extended into a later year
- / Fees incurred to date: £17,500
- / This is a client born in France and living in the UK. HMRC are interested in domicile, residency, trusts, gains, property and delving into how the taxpayer funds their lifestyle, friendships, travel etc
- / Outcome: this enquiry remains ongoing with HMRC gathering significant further information, without declaring any incorrect treatment



# The risk of an enquiry

- / Even if you've done nothing wrong, anyone can be selected
- / No business is too small or too large for HMRC to challenge. Our service will cover professional fees up to £100,000 and help us to get the best possible outcome for you
- / HMRC are back to opening more detailed and time-consuming enquiries in a bid to meet the huge costs incurred as a consequence of the pandemic
- / Costs relating to enquiries are not part of your routine fees. The cost of defending a client's position can be huge, even when they've done nothing wrong



# Thank you



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