

Taxman vs Taxpayer: Who Wins?

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There is no simple answer...

- **It's a journey**
- **It should be collaborative not combative**
- **Certainty: It will be concluded**
- **Uncertainty: How long it will take**



The potential “bumps in the road”



- **The nature of the investigation (voluntary or prompted)**
- **The variables (the number of years being investigated)**
- **The number of taxpayers involved/the taxes involved etc.**
- **Funding (payments to professional advisers and HMRC)**
- **Irregularities**

Example

- **The unwanted paper (Phil and Roy)**
- **Payments to third parties (by invoice) or subcontractors (under CIS) or employees (wages and PAYE/NIC grossed up)?**
- **Be practical – do you have all the documentation to prove your client's position?**





Beginning, middle & end

- **Consider the end at the beginning!**
- **What does the end look like?**
- **Will there be tax to be paid?**
- **Will tax be paid by a negotiated Contract Settlement or by formal Assessment(s)?**
- **If tax is due, so is interest and possibly a penalty**
- **It is the penalty we need to consider at the beginning**

Example

- **The 3 stooges**
- **Gave them a Plan and followed it to the letter**
- **No deviations – CoP 9 completed in 6 months from opening meeting**



Penalties

- **Penalties are based on a taxpayer's behaviour**
- **The more you help/tell/give, the more the mitigation = reduction of any penalty**
- **Penalties start at 100% or 150% or 200% and are mitigated down**
- **Penalties do not start at zero and go upwards because of ...**



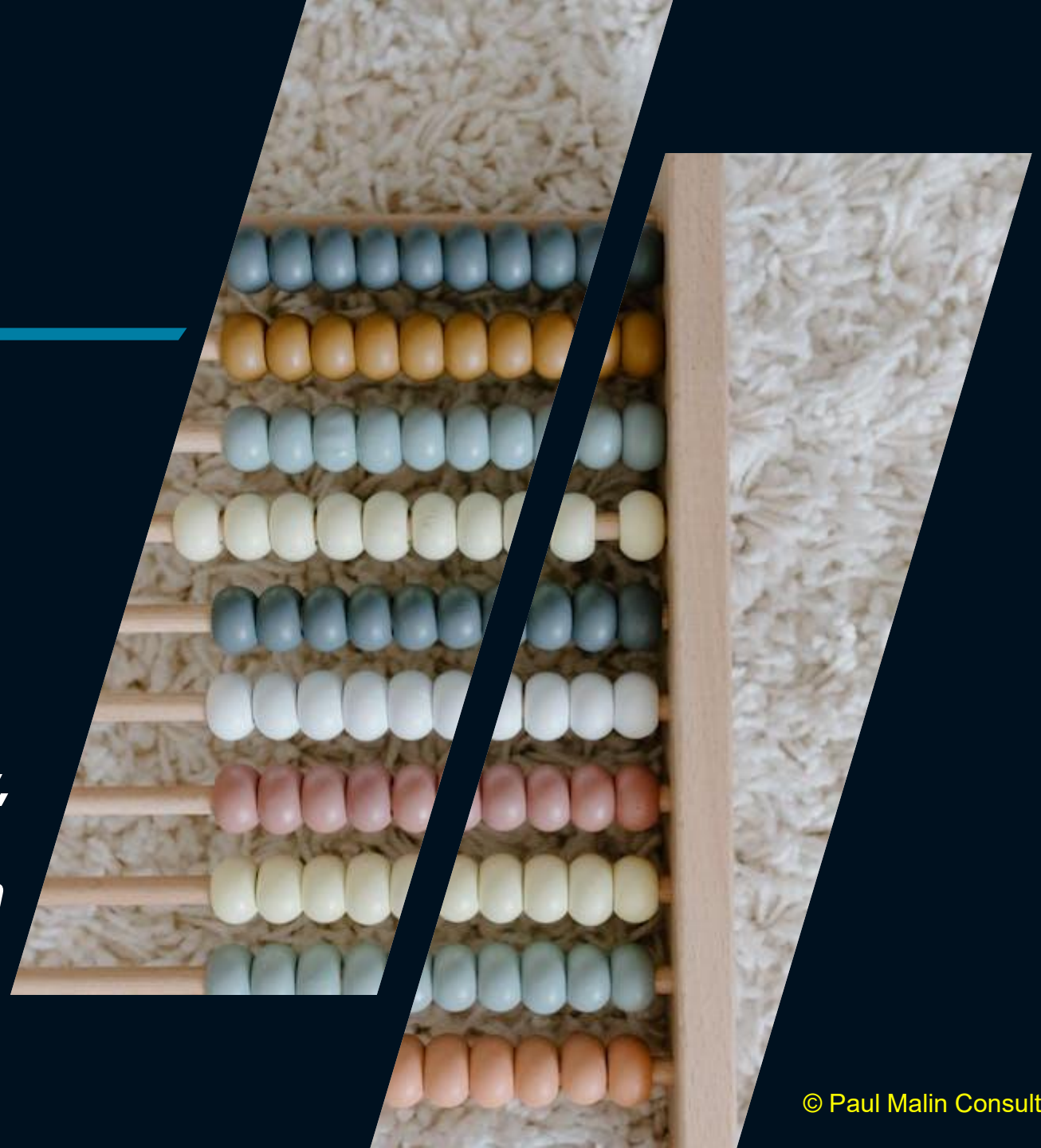
Example

GDG

- **An accountant who couldn't add up**

M Livesey

"I have now completed my review, and my decision is that the penalty assessment is varied from £112,994.42 to £500."





Behaviour

The starting point – what was the taxpayer's behaviour that brought about the loss of tax?

1. Error/mistake/without taking reasonable care
2. Deliberate
3. Deliberate and concealed

Determine the attributes – defend the white but surrender the black



Settlement

- **The eventual Settlement is a final, single figure**
- **But it starts off as being within a range – best case and worst case**
- **Within what monetary range will the eventual Settlement fall?**

Investigation tactics

- **Helping, telling and giving regularly**
- **A timetable that is adhered to**
- **Payments on Account to SAFE or PRN reference**
- **Make sure HMRC has locked the payment**



Example

GAC

- **All communications were through the daughter**
- **Funds used to pay SA tax, filing penalties**





The beginning

- **Making a Disclosure**
- **Gathering in all the relevant data**
- **Keeping HMRC up to date on progress**

Example

- **What format**
- **How much information**
- **By telephone, in person, or in writing?**



The middle

- **Examining and utilising the data**
- **Collaborating with HMRC**
- **Meetings with HMRC**
- **What is provided to HMRC?**
- **What is obtained from HMRC**
- **What is shown to HMRC (but not given to HMRC to keep)?**
- **Bringing the taxpayer back into the fold**

Example

- **Maintain a complete file**
- **Keep it cross-referenced**
- **Match it to a timetable with reminders etc.**





The end

- **The numbers and the words**
- **Keep to the plan**
- **Does the taxpayer need to undertake a cash flow forecast before agreement**

Example

- **Contract Settlement or by Assessment?**



What is considered a win?

How is it measured?

By the taxpayer

- **Money/getting a life back?**

By HMRC

- **The yield**



What else might be considered to be critical to a win?

- **Managing everyone's expectations throughout the journey – taxpayer, taxman etc**
- **Keeping out other variables**
 - **the number of years being investigated**
 - **the number of taxpayers involved**
 - **the different taxes involved etc.**



**Can any of
this be
avoided?**



THANK YOU!

Any questions?

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