



Tax Investigation Service

Questions and Answers

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Questions and Answers

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1. **What exactly is the Tax Investigation Service?**

In the event of you receiving an enquiry from HMRC, the GRANTS Tax Investigation Service allows us to deal with the enquiry on your behalf without you having to fund the cost of professional fees.

The service is fully backed by an insurance policy, which the practice has taken out with Markel Tax. We are able to make a claim in respect of the fees that accrue when we defend a client who is subject to an enquiry from HM Revenue & Customs (HMRC).

Some facts about Markel Tax

Markel Tax is the UK's premier fee protection insurer for the accountancy profession and has provided fee protection schemes for accountancy practices across the UK since 1997.

- They deal with thousands of accountancy practices
- A significant number of UK businesses benefit from the security of their services
- Their services are continually adapted to meet current HMRC enquiry activity

2. **Who can benefit from the service?**

In addition to protecting your limited company, your subscription will also meet the cost of our time in dealing with matters relating to an enquiry into the personal tax affairs of a director.

So, our Tax Investigation Service is designed to meet professional costs arising from an enquiry into income and expenditure relating to your contracting activities, as well as an enquiry into non-contractor activities e.g. rental properties owned personally.

3. **What is the current position on IR35?**

This will be our tenth year of working with Markel Tax who are one of the top UK specialists in this area. Therefore, we are continually kept up to date with HMRC's current approach to IR35.

As you are no doubt aware, the new off-payroll rules came into effect on 6th April 2021. Generally this means the responsibility for determining IR35 status rests with the end client or agency. The exception to this rule is if you are working for a 'small' client. In these cases the responsibility, and therefore risk, remains with the contractor.

There is, therefore, a continued risk of an IR35 enquiry.

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4. **HMRC Enquiries**

Prior to the COVID-19 pandemic, HMRC's general attitude towards enquiries was getting noticeably more aggressive as they sought higher tax revenues and increased penalties. It would be expected for this to continue in the future and this is the main reason why continuing to have tax investigation cover in place is advisable.

Even if you are intending to close your company within the next year covered by the service, the closure process can still take a number of months to complete. During this time, HMRC can initiate enquiries into your IR35 position as well as other areas of tax, such as VAT, PAYE and Self-Assessment. It is for this reason we recommend that you continue your service until the company has been full dissolved at Companies House.

5. **What professional costs will be met?**

Where we act as your agent:

- IR35 disputes (from the issue of the opening "check of employer records" letter through to representation at Tribunal).

Markel Tax have considerable expertise in dealing with IR35 investigations, and so GRANTS will work closely with Markel Tax to achieve the best result for our clients. Markel Tax's investigations costs will also be met by the GRANTS tax Investigation Service.

- Personal tax full and aspect enquiries (where GRANTS prepare your Self Assessment Tax Return)
- Corporation tax full and aspect enquiries
- Employer compliance disputes
- VAT disputes
- Code of Practice 8 enquiries
- National minimum wage pre disputes
- Inheritance tax enquiries
- Schedule 36 pre disputes including :-
 - VAT control visits
 - Employer compliance visits & check of employer records
 - Capital gains tax
 - Interventions & requests for information

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Under Schedule 36, HMRC have the right to: request information, review current records and visit business premises. This means that we can be on hand to ensure that HMRC do not go beyond the limit of these powers.

PAYE and VAT compliance visits are very common and it is often the case that you will want us as your accountants, to assist you in dealing with these visits.

Previously we would have charged you a fee for such assistance; however, this would not be the case if you subscribe to the Tax Investigation Service.

6. What if I already have a similar arrangement in place?

Excellent, we both agree that there is a need for protection!

However, the downside of some of these other schemes is that it would be a third party professional who would deal with the relevant enquiry on your behalf i.e. it would not be us.

Since we are aware of your history and background and indeed have been involved in preparing your accounts then we feel that we are best placed to deal with any enquiry or compliance letter received from HMRC. Therefore, we do feel it would still be a benefit for you to subscribe to our service, even if you have a similar type of arrangement already in place.

Also, we are aware that that the membership costs of some other bodies/providers are not tax deductible and are in fact regarded as personal subscriptions. This is not the case with our service as our costs are fully allowable for tax purposes and can, therefore, be paid by your company rather than you personally.

If you are interested in subscribing to our service you may wish to do so when your current annual subscription expires. If you wish to do this, please let us know the date your current scheme expires and we will get back in touch with you around this date.

7. What are the other benefits of subscribing to the service?

- The free business legal helpline, this is a telephone advisory line staffed by full qualified solicitors providing legal advice on :-
 - Employment Law
 - Health and Safety matters
 - Commercial legal matters
- By subscribing to the service you will also receive discounts from Market Tax in connection with other services, which they can provide to you.

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Perhaps the most common type of service, which you may be interested in, is the Market Tax IR35 contract review service. Subscribing to the tax investigation service allows you to benefit from an average 20% discount, on this service.

8. What is the cost of the Tax Investigations Service?

The annual charge is £125 plus VAT; i.e. a gross cost of £150.

If you are on the VAT flat rate scheme you will not be able to reclaim the VAT however, the company will get corporation tax relief on the payment.

As such, the real net cost to you per annum is only £122, or just over £10 per month.

If you use the standard method of VAT accounting, you will be able to reclaim the VAT AND the company will get corporation tax relief on the net amount.

As such, the real net cost to you per annum is only £101, or just over £8 per month.

We believe the above amounts represent excellent value for this type of service.