

# Frequently Asked Questions

## I've done nothing wrong, why should I worry about a tax enquiry?

Most tax enquiries are generated by computer "risk profiling" and many are selected completely at random. As a result, HM Revenue & Customs (HMRC) sometimes picks the wrong targets. Even if you have done nothing wrong, the taxman will not give up and will still try hard to find errors.

## Can anyone's tax affairs be scrutinised by HMRC?

Anyone who submits a tax return can come under scrutiny. Every year, HMRC start enquiries into many thousands of personal and business tax returns and accounts. VAT and PAYE payments are also thoroughly checked. The aim in every case is to collect more tax. A record £26.6bn of additional tax was collected through compliance checks in 2014/15. The number of people being investigated more than doubled in one year and we expect this trend to continue.

## Do I need to reduce my spending in the current economic climate?

Not paying the annual cost could be a false economy. The potentially high costs of defending you in an enquiry would be much less affordable than the small annual charge. One thing is certain – HMRC does not stop making enquiries into tax returns when there is an economic downturn. The amount of debt the government is in at present is only likely to increase the potential threat of an investigation!

## Why do I need protection?

Like any other protection to meet an unexpected cost, everyone hopes that they don't need it but when a costly enquiry starts, clients are glad that they've paid the small annual charge for the peace of mind it extends in the event of an investigation. I've already got some protection through a trade subscription or policy. e.g. FSB. Why isn't this sufficient?

Such cover will normally be limited and not as wide ranging as the practice service. Such policies may not pay our fees to look after you and may instead bring in an outside consultant who doesn't know you.

## How much could a tax enquiry cost me in professional fees?

The questions asked by HMRC are usually very detailed and time-consuming to answer. The costs of defending you can easily run into thousands of pounds, even if little or no extra tax is paid at the end of the enquiry. These costs are not protected by the normal annual fees paid to us.

## Is there anything I can do for peace of mind?

You can subscribe to our Tax Investigation Cover which will protect you for the work and costs of defending you in the event of a tax enquiry by HMRC.

## What is the Tax Investigation Cover?

It is a Service set up by us in conjunction with Vantage Fee Protect (VFP) to protect clients who suffer a tax enquiry. For a small annual fee, you can join our Service and obtain the benefits described on the reverse of this sheet. The Service is backed by an insurance policy that the practice has arranged through VFP. When you subscribe to our Service we are able to make a claim against our insurance policy held with VFP in respect of our fees incurred.

## What are the main benefits to subscribing clients of this Service?

- We will defend you, if and when you are selected for a tax enquiry by HMRC
- The potentially high costs of professional fees for that defence will be claimed under the practice's insurance policy
- It will not be necessary to accept unreasonable tax charges by HMRC due to concerns about professional fees

## What is protected by the Service?

Under the Service, subscribing clients will be fully protected and the practice will claim under our own insurance policy for up to £100,000 of professional costs, in the following circumstances:

- An HMRC enquiry into a personal or business tax return
- An HMRC enquiry into any business accounts, including those of sole traders, partnerships and limited companies
- A dispute with HMRC where additional VAT is being pursued
- A dispute with HMRC where additional PAYE tax or National Insurance contributions is being pursued
- A dispute with HMRC relating to the tax status of employees or subcontractors

A Summary of Service document detailing cover is available upon request.

## What is not protected by the Service?

Some costs will not be protected under the Service, including the following:

- Outstanding taxes, penalties, interest or any other amounts due to HMRC
- Defence of clients in criminal prosecution cases or serious fraud enquiries
- Fees relating to pre-existing tax enquiries, or enquiries where tax returns were submitted to HMRC later than the statutory time limits (90 days)
- Tax avoidance schemes

A Summary of Service document detailing cover is available upon request.

## How do I join or obtain information?

If you have any questions relating to our Tax Investigation Cover then please contact us, or view our dedicated website for costs and access to our Response Form at [www.lovewell-blake.co.uk](http://www.lovewell-blake.co.uk)

## When will you get an invoice?

Once we have received your payment, we will send you by email a receipted VAT invoice.

## Will you receive details of what is covered and not covered by the Service?

All those subscribing for the Service will receive a 'Summary of Service'. For those who subscribe via the Vantage webshop the document will be emailed to them on making payment. For those paying Lovewell Blake LLP directly the document will be emailed to you with your receipted VAT invoice.

## When does cover for the Service commence?

Where your fee is received prior to our policy start date then your subscription will commence from the 1/8/2020. Where your fee is received after the 1/8/2020 your subscription will commence from the date your fee is received and, in any event, through to 31/7/2021.

## Does the Service cover IR35?

HMRC IR35 status enquiries are covered by the insurance policy. However, in order to ensure the validity of a claim under this legislation, the following documentation should be held as a minimum and provided to support the claim:

- Valid contract for services covering the engagement period (the contract terms must accurately reflect the day-to-day working activity)
- Confirmation that the application of the IR35 legislation has been considered and the reasons for the result (in writing produced by either you or your accountant)
- Any other supporting documentation (if available)

When evaluating the claim, there must be a reasonable prospect of successfully contesting HM Revenue and Customs dispute, for the claim to qualify under the insurance.

## Does the Service cover Directors/ Partners who have additional income over £50,000 from other sources?

You are required to take our cover at a higher personal rate.

## Does the Service cover any tax due, interest and penalties incurred as a result of an enquiry?

No, it does not, you will be liable for such costs directly.

## What is the impact of not subscribing to the Tax Enquiry Protection Service for some or all of the companies that form part of a group or associated businesses?

You should look to cover connected individuals and businesses for complete peace of mind, if you decide not to cover any connected business or individual and HMRC open an enquiry into this entity then we cannot make a claim on your behalf. You will need to cover the cost of any fees incurred in dealing with an enquiry.

## If your Tax affairs have been handled by another firm can the Service cover you for this period prior to your engaging Lovewell Blake LLP?

Yes, as long as Lovewell Blake LLP are the acting agent for you at the time HMRC open an enquiry and you have paid the correct subscription fee for the service period the new enquiry is triggered.

## If Lovewell Blake LLP don't look after my tax affairs, can I benefit from Tax Investigation Cover?

No, you cannot, you may wish to contact Lovewell Blake LLP about becoming our client.

## Who are Vantage Fee Protect (VFP)?

VFP is a leading provider of Tax Investigation Cover. Vantage Tax Fee Protection Ltd is an appointed representative of Vantage Protect Ltd (FRN 772055) which is authorised and regulated by the Financial Conduct Authority. They are committed to working in conjunction with us, thus ensuring your interests are fully protected.

## Want to know more?

If you have any questions relating to our Tax Investigation Cover then please contact us below, or view our website for costs, FAQ's and a response form at <https://www.lovwell-blake.co.uk/business/Tax-Investigation-Cover>

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## Contact your local Lovewell Blake LLP team

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