



RIFT

Safety in numbers

HMRC INVESTIGATIONS AND AUDITS: A SURVIVAL GUIDE

RIFTACCOUNTING.COM

WHAT TO DO WHEN AN INSPECTOR CALLS...

Of all the dangers you might encounter on your small business adventures, a Tax Investigation from HMRC can be one of the most daunting - and the chances of it happening to you have risen sharply.

While larger businesses still tend to be scrutinised more carefully than smaller ones, most businesses fall under the taxman's crosshairs eventually. Don't panic if it happens to you. As long as your books are well maintained there's no reason to think there'll be a problem.

WHY ME?

There are a few things that can get HMRC's antennae twitching, and some of these may actually be down to your business doing too well too quickly. If you're a RIFT client already, then you have everything you need to guide you safely through any investigation. If you're getting your business advice from a less reliable source, however, the outlook could be a lot grimmer.

WHAT SHOULD I EXPECT?

The short answer is not much warning and very little explanation. They'll probably take a year's worth of paperwork to study, but can demand a lot more if they start to smell a rat. Here are some things to keep in mind:

- **SLOPPY BOOKKEEPING WILL HURT YOU** - they could ask for a lot of information.
- **DETAILS MATTER** - VAT and PAYE inspections can get particularly technical.
- **DIG IN FOR THE LONG HAUL** - these things can take time.
- **THINKING OF CHALLENGING?** Expect months of hassle with no guarantees.

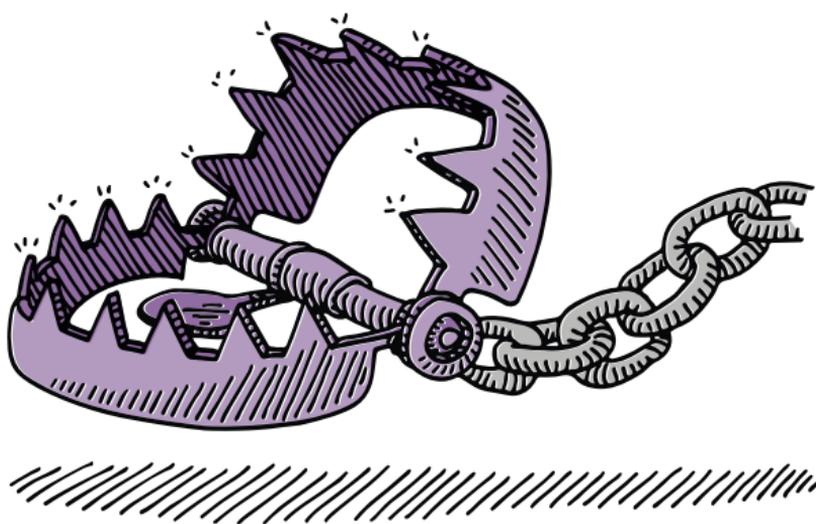
TRAPS AND PENALTIES

If the results of the investigation turn up a problem, things can get interesting in a hurry. You could be looking at penalties of up to 100% of the tax you should have paid, in addition to any penalties and interest you rack up. Honest mistakes are generally dealt with more gently, but your best defence is never making the mistake in the first place.

Particular traps to watch out for include:

- **TAKING MONEY OUT OF YOUR BUSINESS WITHOUT DECLARING IT. REALLY - DON'T DO THIS.**
- **DISORGANISED RECORDS THAT MAKE IT APPEAR YOU'RE HIDING SOMETHING.**
- **NOT FORESEEING SUDDEN OR LARGE FLUCTUATIONS IN TURNOVER OR PROFIT.**

With SMEs paying an average of £4,376 in tax compliance costs and 70% of them complaining that the system's too expensive and complex, you can't afford to be caught off-guard.



MAKE SURE YOU'RE COVERED

If you do find yourself involved in an argument with HMRC, insurance may be your best bet. Appealing against HMRC takes time and can be a personal and professional nightmare, but RIFT's partners can make sure that you have the protection you need.

A Commercial Legal Expenses policy will typically cover:

- Legal advice and defence.
- £100,000 limit of indemnity.
- Motor uninsured loss recovery.
- Contract disputes.
- Employment disputes.
- Debt recovery.
- Tax, VAT, PAYE & NIC Investigations.

Tax investigations are a traumatic fact of life out on the Business Battlefield, but good planning, a guiding hand and top-of-the-range safety gear will have you ready to tackle anything.

CALL US ON

01233 653006

**TO SEE HOW WE CAN
HELP YOU TODAY**

And look out for our other guides:

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and

FINES AND PENALTIES

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