

Special points of interest:

- Don't like your tax liability? A new Disputes and Appeals procedure.
- Although HMRC are more likely to maintain their position, deals can still be done.
- Test HMRC's points thoroughly as they may not always be correct.

We are a team of Specialist Tax Advisors who work with:

Businesses
Individuals
Accountants
Solicitors

We have a great deal of experience dealing with HMRC and would be happy to negotiate with them on your behalf.

Further details can be found on our website:

www.eavesandco.co.uk

Welcome to the first edition of 'Revenue Watch' - where we bring you the latest news on HM Revenue & Customs practice

HMRC TO TAKE THE POINT

This tax year has seen the introduction of new procedures for disputes with HMRC, with a new set of appeal tribunals, plus new guidance from the Board of HMRC to their Inspectors on technical enquiries.

Inspectors are being discouraged from "compromise deals" but told to continue to pursue a point, potentially all the way to tribunal, if they believe their position is valid.

We find that this relatively new, "all or nothing" approach, can provide heartache for the client and has the potential to drive costs up.

The approach of an advisor must be to analyse the situation robustly. Then this position should be comprehensively set out to HMRC.

If an agreement cannot be reached with the first Inspector of Taxes, HMRC are instigating the opportunity for the case to be reviewed by a different Inspector, before going through the Tribunal process. Whilst we have to see how this progresses, it sounds similar to the case review process adopted for some time in VAT cases, which has generally worked well.

Having said all this, in practice,

we are still seeing cases where HMRC appear happy to "do a deal" with a client. Recently, a deal evolved because, whilst the technical analysis of our client's case turned out to be strongly in our favour, there was a difficulty in proving it with detailed evidence. This does demonstrate that the outcome of the case may still depend on the Inspector dealing with the case and his agenda.



POSTPONEMENT TRIBUNAL

Our first case under the new Tribunal System has been listed. The matter at hand was a claim by our client to postpone payment of a liability identified by the Inspector during an enquiry. The Inspector became frustrated with his perceived lack of results and wished to force the client to pay tax on account.

There were a number of years in question and two elements of the case where a g r e e m e n t was difficult. Through producing a working model of the taxpayers' tax computations

we were able to demonstrate that all additional liabilities identified by the Inspector could be traced to the two contentious areas.

On this basis the Inspector was forced to concede the point and the Tribunal hearing was de-listed.

ROBUST ANALYSIS

A strongly worded letter from HMRC can carry a good deal of sway with a client and any professional adviser who is not used to dealing with HMRC. However, whilst it

may appear persuasive, HMRC are not always right! It will pay dividends to test HMRC's points thoroughly.

In a letter to us recently, HMRC provided an incorrect argument for why a late capital allowances election should be rejected. Our analysis showed they were seeking to use the wrong legislation. The fact that they reached an incorrect conclusion can be raised at a Tribunal and certainly puts them on the back foot in terms of identifying another way of defending their stance.

This newsletter is intended for general information. Remember no action should be taken without professional advice.