

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, HMRC sometimes pick the wrong targets. Even if you have done nothing wrong, the tax man 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. HMRC estimate that businesses and individuals account for half the "tax gap" estimated at £17.9 billion, and this is one way of closing that gap.

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 return's even when there is a global pandemic. 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 Fee Protection Service which will protect you for the work and costs of defending you in the event of a tax enquiry by HMRC.

What is a Tax Fee Protection Service?

It is a Service set up by us in conjunction with Croner Taxwise to protect clients who suffer a tax enquiry.

For a small annual fee, you can join our Service and obtain the benefits described in the Tax Fee Protection Leaflet. The Service is backed by an insurance policy that we as your accountants have arranged through Croner Taxwise. When you subscribe to our Service we are able to make a claim against our insurance policy held with Croner Taxwise in respect of our fees incurred.

What are the main benefits to subscribing clients of the 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
- You will also get free access to a 24/7 Business legal helpline and a separate Employment Law, Health & Safety helpline

What is protected by the Service?

Under the Service, subscribing clients will be fully protected and us as your accountants 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 limited (90 days)
- Tax avoidance schemes

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

What is protected by the business fee?

To ensure seamless protection, the business fee protects enquiries into the tax returns of the directors, partners, members and their spouse and company secretaries – providing we prepare their tax returns.

Who are Croner Taxwise?

Croner Taxwise is a leading provider of Tax Fee Protection Insurance.

Croner Taxwise Ltd
Is authorised and regulated by the Financial Conduct Authority (FRN 304970)

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 Fee Protection Service then please give us a call on either 01604 648470 or 01933 312950 and ask to speak to any of the admin team or your usual contact at Elsby & Co.