

WHAT HMRC KNOW ABOUT YOU

“Tax Investigations have soared over the past two years”

“HMRC is under pressure from the Treasury to collect more tax”

“Investigations from the tax authorities cause stress”

“Making Tax Digital will happen sooner than you think”



The Inland Revenue are trying to raise revenue across the board and the move to **‘Making Tax Digital’** is one strategy.

Tax Investigations are also on the increase with **the smallest of infractions are being investigated.**

So what to do?

At **Owadally** and **King** we are providing you with this **FREE** information booklet to ensure that you are ready for HMRCs **‘Making Tax Digital’**, and that you don’t get into difficulties with them.

We also want to protect you from any difficulties when managing your tax affairs.

Hello and thanks for requesting this **FREE** booklet

At **Owadally** and **King**, not only do we provide all the usual accountancy and compliance services to a very high standard, but we also operate in a very proactive way.

We don't let problems just sit there. We deal with them. We even offer solutions before these problems arise. In other words 'we are flexible, dynamic and confident accountants'



We enjoy providing useful information, just like this **FREE BOOKLET**.

You may or may not know that...

The Government (no matter of which political persuasion) will ensure that the reporting of personal and business taxes will embrace the digital age.

HMRC have also significantly increased the number of tax investigations they carry out.

Furthermore...

HMRC's "breakthrough" computer system, a new, powerful weapon against fraud, tax evasion and avoidance, will ensure that even the most determined are caught eventually. The system is called as '**Connect**', and was designed by defence contractor BAE Systems.

Although it cost HMRC £45m back in 2010, it has already delivered over £3.0bn of additional tax revenues.

So given all of this we thought it would be helpful for you to have the information contained in this booklet. It will help you prepare for '**Making Tax Digital**', and also save you from getting into bother with HMRC.

For more guidance and help contact us at info@oandk.co.uk or call **020 8686 7756** we would be happy to give you more advice.

HMRC want to know more about you, more often.

Making Tax Digital (MTD) is a key part of the government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs - meaning the end of the annual tax return for millions.

Modernising the tax system is a government priority, no matter what political party is in power. Various delays in full implementation, whether due to elections, Brexit or political negotiations, are just a temporary respite.

Here are HMRCs four foundations for MTD

1. Digital tax accounts for all will mean that customers can see the information that HMRC holds, and be able to check at any time that their details are complete and correct.

2. Businesses and individuals will not have to wait until the end of the year, or longer, to know how much tax they should pay, as the position will be reported quarterly.



Making tax digital



3. By 2020, individuals will be able to see a comprehensive financial picture in their digital HMRC account, just like they can with on-line banking.

4. Individuals and their accountants will be able to interact with HMRC digitally and at a time to suit them.

What Does This All Mean for You and Your Business?

MTD represents the single most significant change to the UK's system of taxation in recent times, and we believe that many SME's will need to act soon to implement major procedural changes to the way they record and report their results to the tax authorities.

This will have an impact on how businesses need to organise the management of their financial information.



Unincorporated businesses, smaller companies and landlords will be required to supply current financial information on-line to HMRC at least every three months.

This will result in extra cost and hassle if you don't get organised

Although HMRC hasn't voiced this yet, the concern amongst tax professionals and taxpayers is that such information will be used to ultimately accelerate tax payments by these businesses.

ELEVATE will ensure **MTD** is painless.

Given the significance of HMRC's digital transformation, we believe the impact of this change is far reaching, and will have consequences for the majority of SME's. Our aim is to ensure that **MTD** is as painless as possible for our clients and prospective clients alike. It's one of the reasons we introduced **ELEVATE**.

ELEVATE is a combination of the best cloud accounting software, easy to access real time accounts and business coaching supported by over 25 years' of accounting expertise.

This powerful combination will help you deal with **MTD**, and also take your business to the next level.



Go to the [**ELEVATE Website**](#) for more details.

When dealing with HMRC, we think it best to be prudent because...

You may never have had an HMRC tax investigation, but given the government have put HMRC under pressure to collect more tax revenues than ever before, the chances are the even the most careful of Self-Employed/MD Owners will come under HMRCs microscope at some point.

Connect Computer Power

“6 out of 10 tax enquiries use this system”

The HMRCs powerful tax enquiries computer system is called ‘**Connect**’.

It’s a very appropriate name because...

HMRC has unrivalled wealth of information about people living in Britain, due in part to its many connections with other databases, such as the Land Registry, Companies House and the Electoral Roll.

“HMRC has more data than the British Library”

Not only that.....

“The HMRC website is one of the world’s biggest websites at peak filing time”

‘**Connect**’ has access to such comprehensive data that it allows investigators to spot anomalies.

HMRC’s powerful IT system allows Tax Inspectors to build up literally dozens of connections for any one individual. Creating a unique profile about that persons circumstances.

It also makes it much easier for HMRC to check up on individuals’ tax returns.



Third Party Information

“HMRC gets information from other organisations”

The tax authority’s access to Land Registry and DVLA data means it knows how much someone has spent on their house and can see vehicles registered to each address.

So, if someone has bought a high value vehicle, but lives in a modest flat, might not fit with that individual’s financial affairs.

Maybe an individual owns some properties in their name, but has not declared any income, that would be a warning sign.

The Inland Revenue can easily build up a picture of someone’s financial worth and means that if someone is only declaring £20,000 a year, but is living a £100,000 lifestyle, HMRC can call on that individual to pay more.

Online Information

“What goes on the web, stays on the web.”

HMRC also grabs seemingly harmless information from social networking sites such as **Facebook, Twitter, Instagram** and **LinkedIn**.

If someone is constantly putting up pictures of expensive holidays, flashy cars or even a night spent in an expensive restaurant on Facebook, but is paying minimal tax, then that could trigger an investigation.

HMRC also obtains information from less obvious sources, such as adverts on noticeboards, in newsagents or even stories in local newspapers.

“All media is a valuable source of information for HMRC”

Concerted Advertising Campaigns

“Fear and guilt on TV, Radio and Billboards”

The tax authorities advertising campaigns are designed to make tax evaders feel rotten about cheating the Exchequer when times are hard.

Ad campaigns emphasise that **“The net is closing in”**. Various adverts have warned tax cheats to declare all their income “before it is too late”.



Apart from powerful computing systems, and the ability to gather huge amounts of electronic information, the tax authorities also use these tactics...

Mystery Shoppers

Tax inspectors also now operate undercover, in disguise, and in teams to root out suspicious behaviour.

Informers and Tip Offs

Embittered divorcees and disgruntled former employees are among HMRC's sources of useful information.

Overseas Property Owners

Higher-rate taxpayers with properties abroad are among those targeted by the 200-strong HMRC affluence unit. This affluence unit has been set a target of raising an extra £560m over the next four years.

As well as overseas property, other investigations involve commodity traders and people holding offshore accounts.

Offshore Bank Accounts

In-line with the above, International borders are increasingly meaningless for tax authorities pursuit of outstanding taxes.

Property Raids

In certain circumstances, inspectors now have the power to raid the homes of people they suspect of not paying tax.

Raids last year were 155% up on the previous year. These property searches, tend to focus on individuals who run their businesses from home

Fake Numbers

The “chi squared” test is another tool sometimes used by tax inspectors to check the reliability of reported figures, including restaurants’ sales figures. This test, also known as ‘Benford’s Law’, is a means of testing the randomness of figures.

Basically if numbers are made up, or appear to have some honest anomalies, there is a very good chance that HMRC will spot it and investigate.



How can you make sure that peace of mind is never far away?

It goes without saying that instructing a quality accountant is a must.

However with the advent of **MTD**, and HMRCs powers increasing significantly, even with a good accountant on your side, an investigation can be very stressful.

What will you do if HMRC decide to investigate your affairs?

Get organised and get protected!

We recommend two courses of action.

- Ensure that however you organise your accounts, make sure they are ready for HMRCs move to embracing digital reporting and cloud accounting software.
- We also recommend that no matter how well you have organised your affairs, you take out Fee Protection Insurance.

We offer our clients insurance against the accountancy/legal costs of HMRC investigations.

We will provide fee protection up to £100,000 (through our Partner organisation Abbey Tax)

This is in respect of fees incurred by us attending meetings with HMRC or responding to correspondence from HMRC when you are subject to an HMRC check, enquiry, visit, meeting or dispute.

For full terms and conditions, in addition to guidance and advice please contact us at info@oandk.co.uk or call **020 8686 7756**

Best Wishes and Success

Owadally and **King**