



HMRC turns up the Heat!

After conducting a Spending Review when it came into power, the Government announced that £917million of efficiency savings could be re-invested by HM Revenue & Customs (HMRC) to tackle tax avoidance, evasion and fraud. HMRC has pledged to collect an extra £4billion from compliance activity by April 2013, on the way to delivering an extra £7billion a year by 2014/2015.

Over recent years, a tax gap has emerged which HMRC defines as the difference between the amount of tax collected compared to the amount HMRC estimates is due. HMRC believes the biggest share of the tax gap, 50% of the total, is attributable to the small and medium (SME) sector and has launched a whole series of initiatives aimed at collecting additional revenue and closing this gap.

HMRC Campaigns

HMRC offers campaign opportunities for targeted traders and professionals to make voluntary disclosures of undeclared income. The campaigns offer lower financial penalties as an incentive to disclose and most disclosures are accepted without challenge. However, those traders and professionals who fail to disclose when they should do face much harsher action, including potential arrest and criminal prosecution.

Current Campaigns

The e-marketplace campaign

HMRC invited businesses, who buy and sell goods as a trade over the internet, to register an intention to disclose any undeclared income by 14 June 2012. The full disclosure and payment must be made to HMRC by 14 September 2012.

In the meantime, HMRC has been issuing formal notices to internet auction sites for details of their members in order to check their level of trading and to see if the income received has been declared. The notices ask the auction sites for a copy of their current register of all business members, including the name, address and full post code of each member, as well as their usernames.

The auction sites, including ebay and Amazon, have been threatened with fines if they fail to supply the information requested.

The Tax Return Initiative campaign

People who have failed to submit completed Self Assessment Tax Returns for 2009/10 and earlier and who are liable to pay tax at the highest rates, 40% and 50%, are the target audience of this campaign.

Any person who falls within these two criteria is invited to submit their outstanding Tax Returns and pay what they owe by 2 October 2012.

Future Campaigns

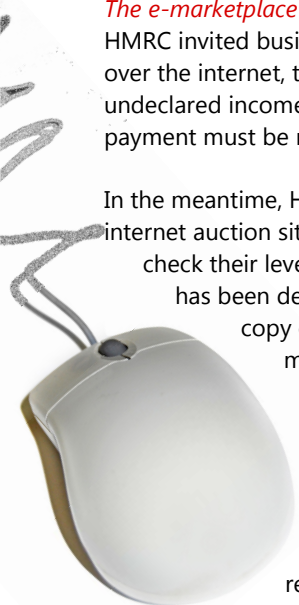
HMRC has already announced the next two campaigns which will begin shortly.

The *Direct Selling campaign* starts on 26 September 2012 and runs through until 28 February 2013. It is aimed at those individuals and businesses who sell products to customers away from a retail shop, usually in customers own homes. Selling can involve demonstrating a product in a customers' home, sometimes at a party, whilst some agents sell door to door, often using catalogues.

After already targeting plumbers and electricians, HMRC now intends to pursue a 'sweep up' of skilled trades, such as roofers, carpenters, bricklayers, joiners and window fitters in a *Home Improvement campaign*.

14 plumbers, who had failed to register for tax with HMRC and had not declared any income at all, were arrested during the plumbers' campaign. Three of the plumbers involved have already received custodial sentences.

The electricians' campaign has only recently closed, but it saw HMRC send out 64,350 letters to businesses within the trade and the use of formal notices, served on wholesale suppliers, for details of members with trade accounts. HMRC confirmed it would be serving 17 such notices, with fines levied for non-compliance, similar to the action taken under the e-marketplace campaign.



Mortgage Verification Scheme

The Mortgage Verification Scheme was set up by the Council of Mortgage Lenders, in conjunction with the Building Societies Association and HMRC in September 2011. The scheme allows mortgage lenders to send an applicants financial details to HMRC for checking, where it is suspected mortgage fraud may be taking place.

HMRC risk assesses the information to see if it agrees with the employment/self employment income details held on tax records, with HMRC particularly interested to see any cases where a higher level of income is shown on the mortgage application to that declared on the applicants tax return.

By 31 May 2012 HMRC had already received 578 mortgage referrals, equating to over 70 a month, since the launch of the scheme. HMRC has admitted some of the referrals have led to tax enquiries being launched, but has refused to say exactly how many.



Single Compliance Process

HMRC accepts enquiries can often take too long and has designed a new framework for handling checks called the Single Compliance Process (SCP).

The SCP is a risk and behaviour driven initiative, with proportionate 'intensity' devoted to each direct or indirect tax check. HMRC has pledged that a more transparent and collaborative approach, with risks identified and explained to the business and tax adviser from the outset, will enable it to turn enquiries around faster and do more of them.

The SCP is currently being trialled across 16 tax offices, with new and existing enquiries, brought within the new framework. The tax offices involved in the SCP trial are Belfast, Cardiff, Dundee, Edinburgh, Euston Tower in London, Exeter, Ipswich, Lincoln, Newcastle, Reading, Slough, Southampton, Tolworth, Warrington, Worcester and York.

HMRC Task Forces

The Task Forces initiative is focused on geographically specific business sectors where HMRC suspects tax evasion.

Typically a multi disciplined team will make an unannounced visit to the targeted business and ask to see the business records and interview the staff on site. HMRC officers are frequently accompanied by Benefits Agency staff looking for benefit fraudsters and, occasionally, Police Officers and UK Border Agency Enforcement Officers too.

During the course of 2012/2013, HMRC intends to target the motor trade across South Wales, the South West, Yorkshire, Nottinghamshire and the North East, Scottish pubs and nightclubs, hair and beauty businesses in Northern Ireland, restaurants in South Wales, the Midlands and the South West, taxi firms in Yorkshire and the East Midlands, as well as indoor and outdoor markets across London.

