

New Compliance checks

If you are involved in anyway with financial record keeping or filing tax returns then it is important that you are fully aware of the new HM Revenue & Customs (HMRC) compliance checks framework that comes into effect on 1 April 2009.

There will be common inspection and information gathering powers and revised time limits for claims and assessments. The new legislation applies to income tax (including PAYE/NIC and Gift Aid), corporation tax, capital gains tax, VAT and construction industry scheme.

What it all means

From 1 April 2009 the new information and inspection powers apply. Whilst the information gathering powers are wider than before, there are more taxpayer safeguards. The inspection powers in the direct tax field have been extended while those available for VAT checks have been reined in.

From 2010 the ordinary time limits to make assessments and submit claims will be four years (till now it has been three years for VAT and roughly six years for Income Tax, Capital Gains Tax and corporation tax). This summary is a great simplification and you will need to check the precise time limit carefully. In addition, there are transitional provisions for VAT from 1 April 2009 and an extension for non-SA taxpayer claims until 31 March 2012.

The visit

Visits from HMRC don't have to mean that there is something wrong. The main purpose of the visit is to see that the tax the person is paying is correct and if required to provide education and advice. Why not use the opportunity to ask questions and take advantage of the officer's knowledge.

Safeguards

Safeguards have been built into the framework to ensure that HMRC acts reasonably at all times. As before, any action HMRC takes must be appropriate and proportionate, taking account of a person's rights under the Human Rights Act. HMRC has created a whole new training package for their staff to ensure that the new powers are used properly.

Your clients will have the right of appeal against requests for supplementary information or documents, but there is no right of appeal against a requirement to produce statutory records. In most cases the officer will ask for the information or documents to be sent in to be checked rather than make a visit. However HMRC is able to make a visit to inspect the statutory records, business premises and business assets.

Visits to private homes that are not used for business purposes will not be undertaken except at the person's invitation. Normally, people will always get at least seven days notice of a visit. Unannounced visits are extremely rare and can only take place if permission is applied for and given at the appropriate level by an Authorised Officer.

More information

More information can be found at www.hmrc.gov.uk. HMRC has produced a special podcast which explains what the new compliance regime will actually mean to businesses, tax advisers and individuals. It discusses the changes, the new time limits while outlining all the new safeguards that will be in place. It's free and well worth a listen. You can find it by visiting the HMRC podcast pages at www.hmrc.gov.uk/podcasts listen to it there and then or download it for use on your own computer.

HMRC has also published on its web site an e-learning package to help you understand our new framework for compliance checks. The module takes less than half an hour to complete and provides an overview of the new framework. It will help you understand the measures brought in by the Finance Act 2008 and how these will change the way HMRC officers check the tax position of individuals, companies and VAT-registered bodies. The link to the e-learning package is [\[http://www.hmrc.gov.uk/e-learning/compliance-checks/Externalmodule/HTML/Externalmodule_menu.html \]](http://www.hmrc.gov.uk/e-learning/compliance-checks/Externalmodule/HTML/Externalmodule_menu.html)