

## **2012 set to be a prosperous year for HM Revenue and Customs, don't let it be at your expense!**

As another year begins it's traditional for the great and the good to release their New Year messages. Politicians, religious leaders, royalty and even the odd celebrity or two will say a few words summing up what we can all expect to happen over the next 12 months and making predictions of what will, or more likely will not, come to pass.

HM Revenue & Customs doesn't choose to issue such a message. But if it did, it would be pretty stark – "we are stepping up our compliance activity, and if you fall into one of our targeted sectors, expect some close attention during 2012". But these days HMRC is a little more transparent in its intentions than in the past, and is choosing to give fair warning of where it intends to cast its gaze.

In 2010 HMRC launched "disclosure opportunities" aimed at plumbers and tutors. These "disclosure opportunities" follow a now well-trodden path; HMRC obtain large amounts of information (partly from publicly-available sources and partly by using their legal information-gathering powers) on individuals working in particular trade sectors who may either be under-declaring their income or who have failed to advise HMRC at all of their business. Following this a short window of opportunity is offered for individuals in the sector to come forward and disclose any tax omissions or irregularities on more favourable terms than usually offered. Once the window has closed investigations are started into those who HMRC expected to come forward but did not do so.

The tutors and coaches campaign ends this week so it is too early to judge the results, but the plumbers campaign has generated over £2m for HMRC. To date HMRC have arrested nine plumbers from whom disclosures were expected but not forthcoming and started almost 1,000 other enquiries.

February 2012 sees the launch of the next "disclosure opportunity" for electricians and electrical fitters. If you work in the sector and believe your tax affairs may not be completely correct or up to date it will be vital to act quickly as HMRC have been actively using their legal powers recently to gain information in this sector.

Additionally HMRC have announced a crackdown on traders on e-marketplaces. This has been rumoured for many years, but HMRC now have the IT software to make such a crackdown effective. People who sell unwanted gifts or household items will be unaffected, but those who sell multiple quantities of identical items, large numbers of listings or sales with high values will be targeted. Whilst no particular sites have been mentioned, those who sell via eBay, Amazon Marketplace, Gumtree and other similar sites should be aware that they are likely to under scrutiny.

Last year also saw the birth of "Taskforces". These are specialist teams who will look at particular businesses in a specific geographical area over a short period of time to identify targets for investigation. If the Taskforce proves successful, it is repeated in other areas of the country. As an example, in 2011 a restaurant Taskforce initially focused on London, but following success there has now been extended to Scotland. At the start of December two Edinburgh restaurateurs were arrested and their homes and business premises searched.

The first wave of Taskforces in 2012 are set to target construction, scrap metal dealers, fast food outlets and landlords owning 3 or more rental properties. Again, a considerable amount of information will have been amassed by HMRC prior to these taskforces starting work.

But HMRC's number one target for compliance activity remains offshore issues. The gradual erosion of banking secrecy and the increasing number of jurisdictions now sharing information with HMRC means that this remains a rich source of new tax revenue.

The UK-Swiss tax deal ([here](#)), signed last August, remains controversial and may yet be subject to amendment if the European Union has its way but it is now less than 12 months away from the date

of the initial withholding deduction on cash held in Swiss bank accounts. Additionally HMRC continue to receive disclosures via the ongoing Liechtenstein Disclosure Facility, with each netting HMRC an average of £300,000 in tax.

But the pressure is increasing. HMRC now has a considerable amount of information gained via legal powers from traditional tax-haven locations such as Jersey and Guernsey, but also information relating to Swiss accounts which was stolen by bank employees and then sold. It is believed that the names of up to 6,000 British holders of Swiss accounts, many with HSBC, are already in the hands of HMRC and these account holders are being contacted by the new Offshore Co-Ordination Unit. Most are being offered just 30 days to disclose any tax irregularities or face an investigation or criminal prosecution. To date there have been no criminal charges arising from this campaign, but HMRC is known to be keen to do so to send a message to those with undisclosed offshore income.

Finally, and staying offshore, those individuals who own property overseas which is rented out are also to be targeted. HMRC is known to have obtained significant amounts of detail of properties (particularly in holiday areas) owned by Brits which could result in rental income. Those owning such properties, and who haven't declared overseas rents, could be challenged and anyone claiming not to let their property will be required to prove this.

An investigation by HMRC is a stressful and difficult experience. Tax can generally be recovered for up to 20 years together with interest. Penalties usually start from at least 30% (unless due to nothing more than carelessness) and can reach 100% of the tax due – or as much as 200% if relating to undisclosed overseas bank accounts. This year, for the first time, HMRC now has the power to publicly “name and shame” those found to have deliberately evaded or understated their taxes and to place defaulters under an intensive monitoring programme for up to five years.

**If you are affected by any of these issues specialist advice is essential and action should be taken before any direct contact from HMRC. For a confidential discussion please call Peter Davies on 01727 838255 or email at [peter.davies@wmtllp.com](mailto:peter.davies@wmtllp.com).**