

## Article topic: Tax Planning

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### 'Tax cheat' hotline increases risk of HMRC investigation

Taxpayers are now more exposed to risk of investigation by HMRC, following the launch of a confidential online reporting system to identify 'tax cheats'. The new HMRC 'hotline' means that it is now easier for people to make anonymous tip-offs over the internet, leaving taxpayers at increased risk of a costly investigation, despite the fact that their tax affairs may be in order.

Taxpayers don't necessarily have to be guilty of tax evasion, or fraud to be 'dobb'd in'. Consider the disgruntled employee, ex-wife, or envious peer, all of whom can provide information to HMRC anonymously, and regardless of whether there is any substance to the allegations. HMRC will take each tip-off seriously and may raise an investigation into that specific issue, or more generally into the taxpayer's wider affairs.

More generally, enquiries into personal and corporate tax returns are likely to increase given HMRC's wider investigative powers and harsher position now on prosecution and penalties. Investigations are costly for the taxpayer, even if at the end of the day no discrepancy is found.

The key messages for taxpayers are therefore to:

- Ensure that their tax affairs are in order and take proper tax advice, where appropriate.
- Where discrepancies or errors exist, consider making a full disclosure to HMRC to reduce the risk of significant penalties, or even prosecution.
- Take proper advice when it comes to tax planning. Significant tax savings can be made through legitimate planning techniques, many relying on HMRC sponsored reliefs. 'Pub tax planning' should be avoided at all cost!

Tax investigation insurance is a very effective way to protect individuals or businesses from financial risk. For a small annual subscription, Target offers a low cost scheme to provide clients with up to £100,000 worth of our time in the event of an enquiry by the HMRC.

**For more information on personal or business tax planning issues, please speak to our Tax Planning team.**

#### Your contacts

##### Bath

Paul Morris  
01225 486 300

##### London

Mark Harman  
202 7919 9100

##### Reading

Kevin Voller  
0118 958 1331

##### Midlands

Mark Tuckwell  
01788 539000