Exploring Aspect Enquiries

If HMRC decides to inspect your tax affairs after submitting a return, it’s a good idea to have insurance so you’re prepared for the worst.

Many dental professionals will be familiar with the old approach of HM Revenue & Customs when it came to investigating the tax return. Previously, HMRC would send out queries and correspondence after the submission. Nowadays, if HMRC wishes to contest specific areas of the self-assessment tax return, an Aspect Enquiry will be initiated.

Aspect Enquiries differ from Full Enquiries in that there will be no request for all books and records. However, Aspect Enquiries can be very complex and may require the provision of detailed information about several different aspects of the tax return. Although an Aspect Enquiry covers less than a Full Enquiry, the difference may be no more than a minute amount of information.

It is always a good idea to consider an Aspect Enquiry as a potential Full Enquiry. The Inspector knows that, once the Aspect Enquiry has been satisfied, another Enquiry cannot be initiated unless a new problem with the tax return comes to light. For this reason, HMRC will closely scrutinise every single Aspect Enquiry case and, if further questions are raised from this process that indicate wider problems with the entries, the Inspector may reclassify the case as a Full Enquiry and request all of your documentation. This Full Enquiry will of course necessitate a comprehensive review of the business and may also examine paperwork for earlier periods.

When you are the subject of an Aspect Enquiry, the Inspector will likely require any information you have that supports the entry on the tax return. If your explanations, or those presented to the Inspector by your accountant or investigation specialist, do not satisfy the Inspector, then the Enquiry may be reclassified as a Full Enquiry.

‘The Aspect Enquiry is now much more complex and demanding’

Have you crossed every ‘t’ and dotted every ‘i’?
not satisfy, you may well end up facing a Full Enquiry.

**Counting the cost**

In its previous incarnation, the Aspect Enquiry was straightforward and relatively easy to deal with. Unfortunately, things have changed, and the Aspect Enquiry is now much more complex and demanding. This means that it can take a lot longer to complete, which is good news for whoever is on your payroll, with fee costs rising. In some cases to several thousand pounds.

Because of the costs involved in arguing the point with an Inspector, it can sometimes be better simply to accept the findings of the HMRC and pay the extra tax demanded. You might do this with considerable chagrin, but at least you will avoid having to write out a cheque for an accountant or investigation specialist that would make an even bigger dent in your bank account.

Often, you are left weighing up the potential cost of fighting your corner, and the cost of paying what the Inspector asks for—unless you have some sort of tax investigation cost protection.

**What price for peace of mind?**

Several companies offer protection policies to cover the fees incurred by an accountant or investigation specialist in the event of a tax investigation. The obvious benefit is that you do not need to surrender the point to the Investigator because the costs of argument are greater than the cost of meeting the HMRC’s demands.

Also, Aspect Enquiries have not only become more complex; they have become more common, too. The tax authorities have adopted a much more proactive approach and may just have adopted a much more proactive and thorough approach from the HMRC. You are under investigation. Because the Inspector is under no obligation to justify the Enquiry, you don’t know whether it is because you have done something wrong, or whether you have simply had your name pulled out of a hat. In any case, you have neither the time, nor the expertise, to handle your own defence. You need to use an accountant, or locate a specialist.

**Even if, at the end of this process, the Inspector declares that you are in the clear, no sooner have you breathed a huge sigh of relief, but a bill slips through the letterbox from your accountant or specialist. How small would the fee have to be before you felt philosophical about it all?**

**Your first port of call**

In order to protect your bank balance, you need to contact a provider of tax investigation cost protection to find out about policies including cover for the professional fees incurred during Full Enquiries, VAT Enquiries, PAYE Disputes and NIC Disputes, to provide comprehensive protection.

Providers might be able to offer insurance that will pay up to £75,000 towards an accountant’s or investigation specialist’s fees in the event of a tax investigation. Providers may also appoint a specialist.

It is vital that, when discussing your needs with a policy provider, you inquire about Aspect Enquiry cover. When you weigh up the cost of cover alongside the potential costs of arguing with an experienced and thorough Inspector from HMRC, you’ll see that it really is an easy decision to make. In these financially trying times, the last thing you need is to be handing out thousands of pounds to an accountant.

For more information contact PFP on 0845 307 1177, email info@pfp.uk.com or visit www.pfponline.com. PFP also offers the HR Plus service for unlimited employment advice.

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**It is especially galling if you are selected for an investigation**

The scenario. With your business taking the full brunt of the credit crunch, you are spending every possible moment in the practice, treating as many patients as possible and/or ensuring that everything is running smoothly to keep that precious income flowing. Suddenly you are contacted by HMRC. You are under investigation. Because the Inspector is under no obligation to justify the Enquiry, you don’t know whether it is because you have done something wrong, or whether you have simply had your name pulled out of a hat. In any case, you have neither the time, nor the expertise, to handle your own defence. You need to use an accountant, or locate a specialist.

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**About the author**

Frank Pons

A qualified chartered accountant and tax expert, Frank Pons founded PFP in 1984, the first company to recognize the need for and provide dentists with Tax Investigation Insurance. Today, PFP continues to be the leading provider and has developed a new range of services supporting dentists on health and safety and employment matters which are rapidly becoming major issues.