

Case Study

This enquiry, into a Food & Drink retailer commenced in November 2006 and was concluded in February 2009.

The client's declared turnover was well in excess of £500,000 but the profits were less than £20,000 which is likely to have been a factor as to why HMRC decided to open the enquiry.

The business records were not perfect and HMRC were concerned that cash takings may have been omitted.

A meeting was held with the Inspector and it became apparent that the Inspector had visited the business premises to make test purchases. The attitude of the Inspector towards the client during the meeting was overly aggressive and displayed a closed mind to any explanations put forward. Our consultant was so concerned by the attitude and approach of the Inspector that a complaint was made to the Compliance Manager. Following this complaint the case was taken over by a new Inspector.

The new Inspector dealt with the enquiry in a more professional manner but, nevertheless, was of the same opinion that cash sales had been omitted. This resulted in the Inspector making proposals to increase the declared sales by over £40,000, over a six year period, which resulted in a settlement of circa £14,500 including tax, interest and penalties.

Our consultant argued against the Inspectors proposals and also referred to the HMRC Enquiry Manual at EM6237 to explain why the client would be unable to fund such a settlement. After further lengthy negotiations the Inspector finally agreed to accept our contentions and concluded the enquiry by way of assessment for one year only. This gave rise to a liability of £2,100 on which interest would be charged, although no penalty was charged.

Case Summary

- The enquiry lasted for 27 months.
- Our consultant spent over 30 hours dealing with the enquiry.
- There was a liability of £2,100 but no penalty.

For further information on this case study please contact Christina Brennan on **0870 166 6270** or email sales@abbeytax.co.uk