

Business Record Checks

HMRC guilty of mis-selling?

When HM Revenue & Customs (HMRC) launched into its Business Record Checks (BRC) consultation on 17 December 2010, it advised how it was looking to achieve a major improvement in the standard of record keeping across Small and Medium Enterprises (SMEs).

HMRC quoted research from the Organisation of Economic Cooperation and Development (OECD) which indicated that poor business record keeping generally leads to an underassessment of tax and HMRC went on to express its belief that this was responsible for a loss of tax in up to 2 million SME cases annually.

The BRC consultation was due to close on 28 February 2011, but it was unexpectedly extended to 18 March 2011. It was 'envisaged' that the consultation report would be published at the end of March 2011, well in advance of the commencement of the BRC starting in July 2011. However, we broke the news on 1 April 2011 that the BRC had begun early and gave details of the specific geographical locations targeted.

So, where are we on 13 June 2011 ?

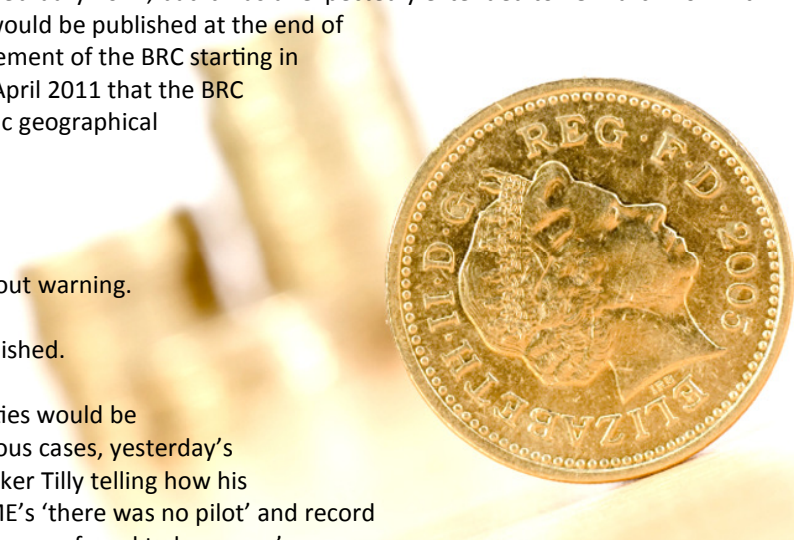
A 'test and learn' pilot has been initiated without warning.

The consultation report has still not been published.

Despite assurances from HMRC that no penalties would be levied during the pilot, unless in the most serious cases, yesterday's Sunday Telegraph quoted Mike Down from Baker Tilly telling how his colleagues had heard HMRC officers telling SME's 'there was no pilot' and record keeping penalties would be pursued if 'anything was found to be wrong'.

The original consultation document spoke of benefits to HMRC and its customers. It talked about HMRC benefitting from improved record keeping leading to a reduction in tax lost and an opportunity for business customers to ask questions and seek clarity about their record keeping obligations.

The anecdotal evidence to date points towards an alternative agenda. HMRC appears to regard the BRC as a potential cash cow from a pool of 50,000 annual targets. Almost like a speed camera which fines you and puts points on your licence, each BRC could potentially lead to a fine of up to £3,000 and another 'risk' leading to a full blown tax enquiry.



Our Consultancy Department is monitoring the situation and we will update you with more information as we receive it. If you would like to discuss this issue in more detail, please call us on 0870 166 6270 or email marketing@abbeytax.co.uk.