

## HMRC VAT inspection - preparation and process

VAT inspections by HM Revenue and Customs (HMRC) are a routine part of running a limited company and typically occur once every 4-6 years.

This article discusses how to prepare and what to expect when HMRC conduct a VAT inspection.

### Is There Anything to Worry About?

There is really no need to panic or have any apprehensions about a VAT inspection.

The inspections are quite standard and routine and nothing at all to worry about, unless you have been actively engaged in VAT fraud.

When you registered for VAT, you took on the responsibility of receiving and accounting for the Government's money in the form of Value Added Tax. It is only reasonable that the appropriate Government department/Inspector should check to see that you are on the right track.

### Notice of Request to Inspect

Your first notice that a VAT inspection will be required will usually be a telephone call from your local office of HMRC.

They will usually advise that the company has been selected for a routine inspection, and request to agree a date for a meeting at the company's offices, usually within 30 days.

When a date has been agreed, the local office will confirm the date and time of the meeting by letter and also the name of the visiting Inspector.

### Preparation

The confirmation letter will ask you to ensure that the following records, accounts and documents are available, dating back three years from your last due return, or to the start of trading, if registered for less than three years:

1. Annual accounts
2. The VAT account or any related working papers
3. All books and accounts, cashbook, petty cashbook, sales and purchases day books
4. Sales and purchase invoices
5. All supporting documentation, e.g. contracts, correspondence, etc.
6. Bank statements
7. Your VAT certificate and certificate of registration

### Meeting Location

HMRC generally prefer to make their visit at the company's trading address, which in the case of most contractors would be the director's home. The director would need to be present at the meeting.

Alternatively they can usually be persuaded to hold the meeting at the company accountants' offices, with the meeting being dealt with by the accountant.

### The First Meeting

You should ensure that you set a room aside for the Inspector to work in, with an appropriate desk/table and chair. You should also lay on a good supply of tea and biscuits! You have nothing to lose by making the Inspector feel comfortable

The meeting will start off by a short conversation with yourself (or your accountant if it is in their office) to go through the basic facts e.g. when the company started trading, it's main trading activity, level of turnover, type of records kept.

The Inspector will spend approximately two hours going through the detailed records, checking the calculations and the completeness of the accounting records and supporting vouchers.

### The Second Concluding Meeting

The first meeting will be followed by a second and concluding meeting to go through their findings.

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They will advise you of any errors in your calculations or accounting procedures that will need correcting. This may even result in a refund of VAT to you if you have made an error in HMRC favour.

Within a few days of the meeting, you will receive a letter from the Inspector, confirming any adjustments to be made, which would usually be made on the next quarter's VAT return.

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