

What triggers an HMRC IR35 investigation?

Introduction

Tax inspections are stressful, time consuming and potentially very costly if caught by [IR35](#).

This article discusses the reasons why you might be selected for investigation, and the practices you can adopt to ensure you are not selected.

Who gets investigated?

Why there are a small number of random cases, being chosen for inspection is rarely "the luck of the draw".

The vast majority of business and individuals are selected personally by experienced Revenue Inspectors.

So why would an officer target your business?

Business Reviews

Some reasons for selection:

- o List of similar businesses where errors have been found in the past (for example computer and financial industries);
- o Late submission of P35 (Employers Annual Declaration) or errors on other completed forms;
- o Review of the business file at the Revenue;
- o Anonymous letter that tax affairs are not correct (often from a competitor); and
- o Random selection of businesses in the tax office area. Some businesses are surprised at how often they are visited or appear to be targeted.

Reviews often lead to Self Assessment Enquiries (for proprietors/ partners) or Corporation Tax Enquiries.

Self Assessment Reviews

Some reasons for selection:

- o Round sums of income (£30,000 or £48,000 can indicate the individual receives the same monthly income/fees from the same Client);
- o A business review has revealed payments to a contractor who is not shown in the Revenue database;
- o The Revenue keep databases of information, for example details of all income from banks/building societies of bank interest paid. This can easily show if someone has more than one bank account and if they have only declared interest from one account;

The databases can be useful to compare different contractors in the same type of work (for example which contractors claim a high number of expenses).

Protecting yourself - next steps

The Revenue inspects all business records, on average, every 5 – 6 years and obtains the best results when contractors are not prepared.

If you haven't had a Revenue inspection in the last few years, then you may be due a visit in the next few months.

Seek professional advice

Ensure you seek professional advice as soon as you are notified by the Revenue that they wish to inspect your business.

The Revenue is notoriously ruthless in their inspections and attempt to achieve the best results they can. Using a professional advisor can save you thousands of pounds.

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