

## CASE STUDY

### INFORMAL INTERVENTION APPROACH

Frank Jones is an Officer working in HMRC's High Net Worth Unit. It is October 2011 and he has been asked to review the 2009/10 Tax Return of a UK resident but non domiciled taxpayer (Johan Mainz) who pays the Remittance Basis Charge. This was filed online on 25 January 2011.

Frank has a number of queries which he would like to discuss informally over the telephone with the tax agent, Evans, Brown and Co. Frank is keen to adopt HMRC's new "light touch" way of working Compliance Checks but appreciates that matters may need to be formalised by way of a Section 9a enquiry.

Frank calls the tax agent (David Evans) on 11 October 2011.

Frank raises the following points -

1. Domicile status. He does not intend to dispute Johan's non-UK domicile status but he would like to discuss how the agent has identified taxable remittances. He asks David for information on his firm's processes and procedures for dealing with this sort of case. David explains this verbally and Frank says he will consider.
2. Farm accounts. Frank says he is aware that 2009/10 was the sixth year of farm trading and that this is the first year of accounts profit. He notes however that there is a tax adjusted loss after Capital Allowances which has been set off against other income. Frank says he will be reviewing the commercial position as his review has identified a number of areas where there are significant expense variances with earlier years, in particular cost of sales. Frank says that he needs to consider whether attempts have been made to create an accounting profit to try and side step the five year rule for loss restriction. He asks David to write to him with an explanation regarding the variances to satisfy him that there has been no accounts manipulation and that the farm trade is truly being conducted on a commercial basis.
3. Dividends. Frank had noticed an increase and asked for an explanation and to see dividend vouchers. David says that a close company shareholding had paid a dividend to Johan for the first time. He agrees to send the vouchers.
4. Interest received. Frank explains that "information is held" which suggests that bank interest received exceeds the amount shown on the 2009/10 tax return and on returns for earlier years. He says that he cannot be specific. David says that he will need to discuss with Johan and report back.
5. P11D benefits. Frank queries a benefit figure and David confirms that this was in relation to services provided - a chauffeur. Frank says he is satisfied with this explanation.

Frank says that he appreciates that the conversation was a "cold call" and that David will need time to review his files. David feels uneasy with the general concept of "informal enquiries". How will David respond to Frank's queries?