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HMRC Steps Up Compliance Activity - Fact not Fiction!

Following on from the recent announcement by The Chief Secretary to the Treasury, Danny Alexander, that the Government will make £900m available to HMRC to enforce compliance we are already seeing evidence of activity and action.

MSC Enforcement

MSC Legislation was introduced in April 2007 and at the time of its introduction it was viewed by many providers as too aggressive, resulting in many providers withdrawing their accountancy service solutions from the market.

Over the last 3 years there has been no evidence of HMRC enforcing, or attempting to enforce the rules and, as a result, we have seen an increasing number of offerings coming to the market which we would consider high risk options. This may be about to change.

We have been sent copies of a number of letters received by contractors stating that HMRC believe that their provider to be a Managed Service Company Provider involved in their company, as defined by the MSC Legislation, making their limited companies MSC's and subject to the tax rules applying to MSC's.

If this proves to be correct it is the prelude to contractors receiving significant tax demands through the Debt Transfer process.

The letter requests a meeting with the contractor to discuss the running of the business as well as a range of documents; including copies of all contracts carried out.

It is clear that HMRC are looking at both provider involvement as defined within the MSC legislation as well as the IR35 status of the assignments.

What to do if you receive one of these letters

It is our belief that HMRC will only issue these letters after they have carried out a full investigation of the provider which could mean that it will be difficult to change their initial conclusions.

If you receive one of these letters it is essential that you seek professional advice immediately.

As a first step you can contact the **Professional Passport Members Helpline**. We will discuss the situation fully with you and if necessary gather the details of all affected parties allowing a co-ordinated approach.

We will gather all the relevant legal and technical experts to assess the case and provide you with the support you will require.

We would strongly advise against meeting with HMRC at this stage and if you were to arrange a meeting, as they have requested, you must ensure you have a professional adviser in attendance.

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Confused; need some help -

Contact the Professional Passport Members Helpline for unbiased advice and support

IT contractors - Save money on your insurance

Monthly paid plan where you only pay whilst on contract and you are covered for the whole liability period - no other monthly plan provides this level of protection.

NEW UPGRADE - retro cover now provided at no extra cost covering your past assignments.

Just £22 per month

Concerned over IR35

Don't be - The Professional Passport Professional Assignment Review assesses all your assignments in a year and provides protection against reasonable care penalties

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Umbrella Provider Compliance

We are aware of increasing activity by HMRC on assessing umbrella providers compliance. We have knowledge of cases where both overarching employment status and expenses are being challenged.

If successful this will result in significant levels of additional taxes being payable, some of which could be passed directly back to contractors.

As we have stated in the past, it is essential that contractors only claim expenses that they have incurred and even where the provider does not require you to submit receipts with your claims you should retain these for at least 6 years in case of a challenge.

You can read articles on umbrella compliance in our past newsletters here:

[Contractor Intell Volume 2 Issue 7](#)

[Contractor Intell Volume 3 Issue 3](#)

What to do if you receive a letter requesting copies of your expense receipts as part of a HMRC investigation

As with all investigations, it is essential that you seek professional advice at the earliest opportunity.

You can contact the **Professional Passport Members Helpline** where we will discuss the situation with you, assess the risks and ensure you receive expert support to deal with your situation.

In cases where there are a number of affected contractors we will organise a co-ordinated approach for all those involved.

IR35

There also seems to have been a flurry of recent activity on IR35 with a number of new investigations being reported.

Following the announcement by the Government of a review of IR35 to be carried out by the Office of Tax Simplification many have predicted the demise of IR35 leading to contractors ignoring the rules.

Recent statements from the OTS would suggest that the review will be a long process and final recommendations may not be made until 2012, with no guarantee that it will be abolished.

It is essential that during the period of the review contractors continue to assess their status to avoid the risks of penalties and fines.

Professional Passport provides a professional assignment review service which comes with one years free professional membership.

The service reviews all assignments carried out during that year and provides you with the reports required to demonstrate taking reasonable care and therefore ensuring you are protected against the risk of penalties.

You will find full details of the service here:

Professional IR35 Assignment Review

If you have past assignments which you need reviewed this can be discussed when you take the service and a separate fee will be agreed.



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Useful Links

jobs.professionalpassport.com

www.hmrc.gov.uk

www.icaew.co.uk

www.lawsociety.org.uk

www.shout99.com

www.contracteye.co.uk

Meeting with the Office of Tax Simplification

Professional Passport will be meeting with the Office of Tax Simplification in a few weeks to discuss our thoughts and views on the proposed IR35 review as well as other tax issues relating to the temporary workers market.

Thank you to all those contractors who have already completed our surveys and shared their views. The information will be used and discussed during our meeting with the Office of Tax Simplification.

If you have not already completed the surveys you can do so here:

Contractors' Opinion Poll

IR35 Survey

We would also like to thank all the contractors who have provided feedback on our proposals to define a professional contractor, if you have not yet provided your views you can do so here:

Defining a Professional Contractor

Our proposals are built around the feedback we receive directly from

contractors so if you have an opinion and want to make it count make sure you complete the surveys and feedback form.

Based on previous experience, it is highly likely that the OTS will ask us to share the results and therefore the more responses we achieve the greater the importance of the result.

The review is likely to be a prolonged process and so it is extremely important that contractors continue to take reasonable care in assessing their IR35 status to protect themselves from the risk of potential penalties and fines.

PI Insurance Upgrade

We are pleased to confirm that from 1st October 2010 retro cover is now provided automatically on all our plans; ensuring that all your past work is covered.

With our insurance you only pay when you are on active contract and you are automatically covered for the whole liability period of 6 years - no other monthly plan achieves this comprehensive cover.

With £1m of professional indemnity and £1m of public liability cover for just £22 per month we believe this is probably the best value cover on the market today.

Unfortunately this cover is currently only available to IT contractors; we do hope to extend this to other professions.

You can obtain full details and a personalised quote here:

Insurance Quote