

# Tax Investigations Insurance.

**AbbeyTax**  
Insurance Services

## HMRC turns the spotlight on the entertainment industry

Tax Inspectors now have far wider powers of investigation enabling them to scrutinise records and accounts more easily to identify potential errors. A thorough defence from a tax professional can easily cost upwards of £5,000 simply to respond to the Inspector's questions, but is necessary to ensure you avoid technical pitfalls and have the best possible result negotiated on your behalf. By joining the Abbey Tax Investigations Insurance you can ensure that you are protected against these unexpected costs and have expert representation from the moment you need it.

### **To-ing and fro-ing**

HMRC have always sought to run the rule over the expenses claimed by actors and presenters on the basis that some of the amounts claimed might not be wholly and exclusively in connection with the individual's business and professional needs. In this case, the actor traded through a limited company which came under the Revenue's scrutiny for over six months. HMRC looked into expenses claimed over a number of years in connection with travelling overseas to work on location. HMRC's initial assessment would have resulted in a huge tax bill, but thanks to a robust and thorough defence, the actor paid little additional tax. Yet, despite a relatively short enquiry, the representation fees still came to nearly £3,000 - at current levels that approximates to 40 years membership of the Equity Tax ~Investigations Insurance Scheme!

### **It wasn't entirely personal**

This time the Revenue launched an investigation into the actor's self assessment return and the Inspector was looking to disallow travelling, clothing and various sundry expenses including the cost of an exercise regime needed to maintain fitness for a particularly strenuous role. The Revenue's argument was that these were personal expenses and wanted to disallow these for earlier years as well as the year under enquiry. The tax bill, once interest had been added, would have been in the order of £8,000 (nowadays we would expect the Revenue to argue for penalties as well). Once again, a robust defence settled the matter for just over £1,000 of additional tax, but cost almost £4,500 in fees to argue. Add the fees and the tax bill and if you didn't have the insurance, it might make you think twice about arguing on economic grounds alone. No-one wants to see an Equity member put into that position.

### **It's all in the presentation**

HMRC undertook a targeted enquiry concentrating on £150K's worth of expenses incurred by this actor/TV presenter's company. It necessitated a very detailed response, with prime records such as contractual agreements, analysis of expenditure and individual invoices being submitted. Considerable effort was made to present the information in a way to prevent further challenge and confirm to HMRC that the expenditure was all above board, and genuinely incurred in connection with the trade. Consequently, no adjustments were made; however, the fees incurred in dealing with the Revenue's questions amounted to almost £2,000. That's quite a lot of money to pay to be told that your tax affairs are in order.

**Don't forget that HMRC can also look at your outside business interests (e.g. property rental/development) and you can be targeted by HMRC for a tax enquiry into either your work via Equity or your own separate business. If you would like to cover your 'non-Equity' related business activities, please also purchase the Business Extension Policy.**

**Abbey Tax currently protect over 500,000 UK Businesses from the representation costs of an investigation. To ensure you have complete protection in place please contact us by calling 0345 223 2727 or email [equity@abbeytax.co.uk](mailto:equity@abbeytax.co.uk)**