



TAX INVESTIGATIONS AND FEE PROTECTION INSURANCE SCHEME

The current economic climate will lead to a significant shortfall in tax revenues and a massive budget deficit. This will inevitably lead to pressure on HMRC to raise revenue and we must anticipate an increase in the volume of enquiries.

Their approach recently where a liability has arisen has been to extend the adjustment back for six years often creating a substantial liability from a relatively small one year underpayment especially when interest and penalties are added in. We recommend that records are kept for a full six years to enable us to refute adjustments if appropriate.

Difficult areas at the moment include; status of sub contractors, overseas bank account disclosures, private motoring and husband/wife companies with low salaries and high dividends.

HMRC also has a new approach to penalties and tax appeals. The old system of appealing to the General and Special Commissioners is being abolished and this will be replaced by a new tax tribunal system.

Many clients have joined our tax and VAT insurance scheme which covers our professional fees in dealing with enquiries. In the unfortunate event of an investigation you at least have the comfort of knowing the fees will be met by the Insurers providing the policy conditions are met.

We would ask clients who have not joined the scheme to give this consideration. For most clients in business the personal tax returns are covered by the business policy provided income from other sources does not exceed £15000 pa.

Where we deal only with our clients' personal tax those with straightforward returns can still have enquiries from HMRC though the fees are normally insignificant and the insurance may not be worthwhile. However those clients with fairly complicated personal returns should consider joining the scheme.

After researching the major providers of fee protection cover, we have chosen Vision Underwriting who, in our opinion, offer excellent value for money.

The premiums for the year commencing 1st April 2009 are as follows:-

- Businesses with a turnover of less than £5m pa - £157.50
- Businesses with a turnover of £5m-£10m pa - £378
- Individuals personal tax returns with income less than £250000 pa - £52.50

These premiums include IPT and if your turnover is in excess of £10m then please contact us for further details.

If you require any information on the scheme then please contact Patricia Drain or email her on PDrain@EdmundCarr.com

Edmund Carr
25 February 2009

We would advise that this firm is authorised to conduct financial services business by the Institute of Chartered Accountants of England & Wales as a Designated Professional Body, rather than directly by the Financial Services Authority, and that we include an administration fee in order to cover our costs in arranging and servicing the policy.

Registered Auditors and Chartered Tax Advisers

Edmund Carr LLP, 146 New London Road, Chelmsford, Essex, CM2 0AW, UK

+44 0 1245 261818 www.EdmundCarr.com

Malcolm C Hamlyn David C Drain Eric D Williams Stewart P Martin
Francis V Whitbread Ray Crace Debbie J Wakefield FCCA

Registered Office: 146 New London Road, Chelmsford, Essex, CM2 0AW
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