

Avoiding tax avoidance



HM Revenue & Customs are increasingly challenging tax avoidance schemes. Taxpayers should seek advice if they have concerns regarding their tax exposure.

What is tax avoidance?

Tax avoidance is legal whereas tax evasion is illegal. Both can result in an underpayment of tax and National Insurance.

Tax avoidance through schemes began in the mid 1990's and was left unchecked by HM Revenue & Customs (HMRC) until 1 August 2004 when DOTAS (Disclosure of Tax Avoidance Schemes) was introduced.

There are a number of common misconceptions about DOTAS:

- All forms of tax avoidance fall under DOTAS – they do not.
- The allocation of a DOTAS reference number means that HMRC accept that the scheme works – it does not.

What is a tax avoidance scheme?

A tax avoidance scheme normally has a promoter or sponsor behind it and is not the normal tax planning of the taxpayer themselves.

Tax avoidance schemes include any arrangement to avoid any direct tax (such as Income Tax) or indirect tax (such as VAT). Such schemes can create or increase losses in order to defer or permanently avoid any tax due.

Why are tax avoidance schemes under scrutiny?

The UK government, like most other governments, are seeking all taxpayers to pay "their fair share of tax". It does not matter whether the taxpayer is an individual or a business; public opinion is turning against tax avoidance.

What if I have done nothing wrong?

Each taxpayer is responsible for their individual tax affairs and cannot delegate that responsibility to anyone else, including their adviser or scheme promoter.

Some tax avoidance schemes have already been proven not to work. These schemes are investigated by HMRC and sometimes on a criminal basis rather than on a civil basis.

It is not always what the taxpayer has or has not done themselves; it may be what somebody else has or has not done on their behalf.

What should taxpayers do?

At the time of creation, most tax avoidance schemes would have been believed to be both within the law and in the spirit of the law. However, some tax avoidance schemes have subsequently been identified by HMRC as being too aggressive, contrived or artificial.

Taxpayers who are facing challenges from HMRC should seek professional advice on what options are available to them.

How Haines Watts can help

We can seek to negotiate the most advantageous Settlement with HMRC on your behalf and negotiate time to pay

We can seek to open a dialogue with HMRC and regularise your past tax compliance as necessary.

Depending upon the facts, initially this can be on a no name basis.

To find out how Haines Watts can help, call Paul Malin on + 44(0)7919 375 650 or email pmalin@hwca.com, **anytime**