



## HMRC CRACKDOWN ON TAX AVOIDANCE

HMRC is ratcheting up its crack down on people who try to avoid paying tax. It is spreading its net wide. From plumbers, to restaurant owners, to private tutors, to offshore investors, few appear safe as HMRC bids to narrow the so-called tax gap – the difference between tax collected and the tax they believe ought to be collected.

The Revenue has said it will use “cutting-edge” tools such as web robot software to search the internet and find targeted information about specified people and companies. Using the software, the department will be able to pinpoint more accurately those people who have failed to pay the right amount of tax.

The idea of HMRC banging on the door demanding answers is likely to have those concerned waking up in a cold sweat but HMRC’s latest efforts are not just about illegal tax evasion. This time it is investigating tax avoidance. In May 2011, HMRC launched a consultation – “High Risk Tax Avoidance Schemes” – and is proposing to name and shame tax avoidance schemes that are unlikely to deliver the tax savings claimed. Anyone found to be using the schemes might have to pay the tax avoided upfront, plus an extra charge on that tax.

This tax avoidance consultation is part of the Government’s end-goal to bring in an extra £7bn through initiatives to tackle tax avoidance, evasion and fraud by the end of the Parliament.

So, should individuals be worried?

Most people will have little to be concerned about, but now, more than ever it may be appropriate to err on the side of caution on all tax-saving matters.



There are a number of telltale signs to spot tax avoidance schemes. For example, if a scheme sounds too good to be true, it probably is, and if a confidentiality and secrecy agreement needs signing, you can be pretty sure that there is intellectual property involved which is designed to be kept from HMRC.

Likewise, if you are required to take out an insurance policy or there is a contingency fund, whether or not at your cost, against the tax benefits of the scheme failing to materialise then give it a wide berth. Tax mitigation should be based on sound principles, statutory reliefs and accepted HMRC practice.

---

**The tax avoidance crackdown should not stop people from looking at legitimate ways of saving tax**

---

---

## With the boundaries becoming blurred between what is and what is not legitimate, it is vitally important for people to seek expert help

---

Watch out for contrived schemes too and any arrangement which in itself provides no fiscal or economic benefit other than the avoidance of tax should also be viewed with suspicion.

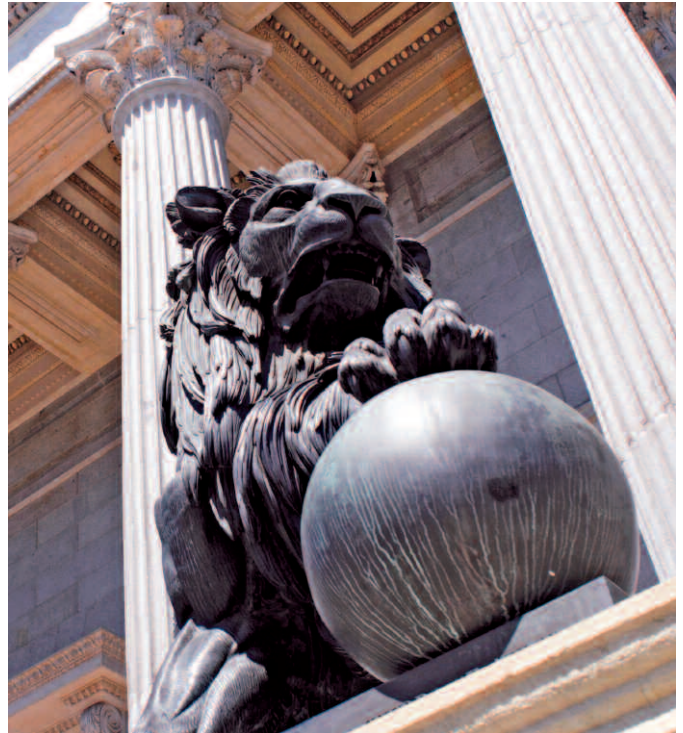
The Revenue itself recognises that much avoidance of income tax by wealthy individuals has relied upon 'sideways loss relief schemes'. These are schemes that seek to create trading losses, which are incurred in accounting form but not economic substance, which can then be used to offset an individual's normal income from employment. Loss schemes have been the subject of anti-avoidance legislation in recent Finance Acts and the remaining schemes are "extremely contrived", the Revenue warns.

However, the tax avoidance crackdown should not stop people from looking at legitimate ways of saving tax, even though the differences between tax avoidance and tax mitigation are less than clear (tax avoidance is deemed to be a use of the tax law not envisaged by Parliament).

At a time when our tax system appears to be getting more complicated it makes sense to try and pay HMRC no more than you are legally obliged to do so.

It is also worth remembering that there are still many ways that people can legitimately reduce their tax bills. From making the most of family and spouses to maximise allowances, to using offshore bonds to defer tax, to sacrificing part of your salary to bring your tax threshold down. Trusts and tax-efficient investments can also be thrown into the mix and won't be frowned upon by HMRC, so it is worthwhile exploring your options carefully with a specialist adviser.

With HMRC sharpening its claws and the boundaries between what is legitimate and what is not becoming blurred, it is vitally important for people to seek expert help. Indeed, Nick Clegg, the Deputy Prime Minister, admits that consumers are 'perfectly entitled' to employ an expert tax adviser. It is an entitlement that people should grab with both hands.



**COMPLIMENTARY GUIDES**

INHERITANCE TAX	WEALTH MANAGEMENT	RETIREMENT PLANNING
--------------------	----------------------	------------------------

Please call **01244 394203**  
to request your free guide.

**MERCER AND ASSOCIATES  
WEALTH MANAGEMENT LTD**

Partner Practice of  
St. James's Place Wealth Management  
4 Chantry Court, Chester. CH1 4QN  
Tel: **01244 394203**

Email: [info@mercerandassociates.co.uk](mailto:info@mercerandassociates.co.uk)  
[www.mercerandassociates.co.uk](http://www.mercerandassociates.co.uk)