

## HMRC ENQUIRY

Following the successful delivery of a long 'worked upon' project for the business, there was a significant increase in turnover of £600,000 over a 2 year period which resulted in substantial 'free' cash reserves in the business.

The business owners, given their ages and impending retirement in 3 -5 years, therefore decided to make a number of substantial tax efficient contributions from the limited company into their personal pension scheme during this period, all of which was clearly reported and included in the relevant corporation tax returns.

HMRC launched a compliance check (or 'aspect enquiry') into the pension contributions on the corporation tax return for one of the tax years concerned, with a view to disallowing some or all of the contributions.

## KEY OUTCOMES

The risks for the business were that as HMRC's view of the purpose and amount of the contributions was completely at odds with the view of the business owners and their own advisors, that the outcome of the check:

1. could result in substantial additional corporation tax liabilities for that tax year (plus interest)
2. could result in additional compliance checks being commenced by HMRC into the corporation tax returns of future tax years, where these also included pension contributions (with a similar financial impact)

We therefore immediately responded to HMRC's queries, providing an initial suite of supporting documentation and explanations, however the review carried on for a period of over 6 months requiring a number of further detailed responses and challenges to HMRC's initial view of the pension contributions.

During the course of the review process, the financial value of the potential additional tax liabilities at risk for the client (excluding any interest and penalties) :

- moved from an original amount of circa £50,000
- down to £17,000 (following a 'non deliberate mistake' offer from HMRC), and eventually
- to a situation where HMRC agreed that no pension contributions should be disallowed from the original corporation tax return.

This was a successful and very satisfactory outcome for the client.

## WHAT THE CLIENT SAID

It was only possible as Sakura could commit the right amount of time, research, liaison with the client etc to defending the clients' position, without being concerned about the level of professional fees (circa £6,000) being generated on behalf of the client.

'Damian managed the process throughout on our behalf, and also seemed aware of where HMRC were going with their questions and queries and therefore how we needed to prepare and respond along the way. It was clear that we slowly moving in the right direction with HMRC, but it was a long process with a VERY successful outcome, but I was also very happy I wasn't paying for the fees involved in getting us there''