

HMRC hits the pause button

Jesmin Rahman explains what is happening in HMRC with regard to tax investigations and the Covid-19 pandemic

HMRC have suspended all compliance activities indefinitely apart from cases where the customer is actively engaged and communicating. HMRC at this time will not contact the agent or customer unless the customer/agent contacts them. HMRC are informing customers in various way via email, phone calls or letters.

Taxpayers who are being subjected to compliance checks have mainly stated that they want to proceed with the compliance checks or tax investigations in order to come to a resolution as it would be difficult to pick up on the progress of the case smoothly after an indefinite period of postponement. The cases can at least be worked to the point of agreeing quantified figures for the tax assessments and penalties.

HMRC caseworkers have been internally advised in general not to issue any schedule 36 information notice or tax assessments and penalties at this time as HMRC understand that this is distressing time for all and there are reduced resources on all fronts. There will be no new cases opened by HMRC until the Covid-19 virus situation is alleviated.

There are exceptions to the postponement of compliance activity where there are issues of VAT repayments as this would ease the cashflow for trades and where HMRC will have to meet statutory deadlines for example:

- Offshore tax cases.
- Discovery assessments.
- COP 9 cases where it is not possible to postpone the progress of the case.

The postponement in HMRC compliance activities is also partly due to the new job retention scheme which will be processed by the end of April 2020 and the self-employed income support scheme that will be processed in June 2020 as economic measures implemented in response to the economic impact of the Covid-19 virus pandemic. These two schemes will be processed by HMRC staff that have been suffered from severe cuts over the last 10 years. There will be HMRC resources redeployed to process the new schemes until September 2020. HMRC offices that were slotted for closure and HMRC staff that were headed for redundancies in the summer of 2020 have now had their tenure extended to September 2020 in order to cope with the additional resources required to process the schemes.

HMRC's ADR process

The Alternative Dispute Resolution (ADR) process has been affected as they cannot conduct face to face meetings as it would not be adhering to the social isolation government policy.

ADR are accepting applications but are sending the following email acknowledgements: "Your application will be processed as normal, however, please be aware that with the current COVID-19 outbreak, there will be restrictions on what the ADR team may be able to offer you at this time.

"All applications will be reviewed and, where the dispute is deemed suitable for ADR, accepted. Every effort will then be made to try and resolve the dispute during our normal

120 day turnaround time by either email and/or telephone mediation. However, where this is not possible, the case will be put on hold until after the current restrictions have been lifted and a face to face meeting can be arranged.”

There are a few options that can be considered in going forward with the ADR process:

- to consider teleconference or email correspondence instead of a face-to-face-meeting. This option may not be suitable to resolve the more difficult disputes.
- that ADR activity is suspended until the isolation policy is lifted, but the ADR application is accepted and held in the process.
- or withdraw the ADR application and resubmit when things go back to normal.

Tribunal appeals

The tribunal services have also suspended hearings on until further notice and deadlines where directions have to be met was suspended for 28 days from 24 March 2020.

Therefore, there is scope within this suspension in the tribunal timescale to delay the ADR process.

The tribunal are looking into conducting tribunal hearings by teleconferences or video conferencing and are processing the case where this may be possible. They are requesting feedback from respondents and appellant to understand which options are feasible and if the facilities are available for tele or video conferencing.

Debt management

There is a brief suspension on HMRC Debt management pursuance of debts. For those who are unable to pay due to coronavirus situation, HMRC will discuss specific circumstances on a case by case basis to explore:

- agreeing an instalment arrangement.
- cancelling penalties and interest where you have administrative difficulties contacting or paying HMRC immediately.

The government have put in place financial measures for employed and self-employed, for people who cannot work due to the coronavirus situation. Notably, company directors who receive the main part of their income as dividends have been left out as the government has stated they cannot cover everybody.

The government has indicated that it is difficult to distinguish dividends as income or from investments therefore it is not easy to process and include in the self-employment schemes. The government has automatically deferred VAT payments for three months for VAT registered businesses to help with the cashflow and postponed the self-assessment instalment to be paid on 31 July 2020. The government have also provided 80% backing of the Coronavirus Interruptions Business Loan scheme, which have not had a high acceptance rate.

These are difficult times for our clients, trades and businesses and we can only work together to meet the challenges. HMRC are extending all efforts to give us the breathing

space to deal with the consequences of the coronavirus and to allocate their own resources to deal with the economic backlash of the Covid 19 virus pandemic. At the same time, we are adapting to new ways of working that we may have not considered before the pandemic.

- Jesminara Rahman is a tax investigation specialist and Director of Tax Resolute Ltd. She can be contacted on 0203 031 6755 or jesmin@taxresolute.com