## HMRC opens 300,762 self assessment investigations

HMRC opened 300,762 investigations into self assessment tax returns, according to data released in 2019 for tax year 2016/17. The tax authority collected £1.2bn in extra tax from investigations into self-assessment tax returns in 2018/19.

Analysis by accountants Moore (formerly Moore Stephens) shows the level of risk, warning taxpayers to be careful when filing tax returns as mistakes, although often not deliberate, act as a red flag for HMRC, which can lead to investigations and even penalties.

Filing returns late can also attract HMRC's attention. A total of 477,000 tax returns failed to meet the deadline last year, leading to £47.7m of penalties being imposed.

The size of a penalty imposed through a tax investigation depends on whether HMRC believes the mistake was made deliberately or not.

The penalty for a 'deliberate' mistake can be as much as 100% of the amount of tax in question whereas the penalty for 'failure to take reasonable care' is 30%.

HMRC imposed over 31,500 penalties for deliberate behaviour during the 2018/19 tax year.

HMRC's methods of data collection are becoming more advanced and are more invasive than some countries.

For example, tax authorities in France have only just been granted permission to scan social media accounts of taxpayers to gather evidence during investigations – something HMRC has been doing for years.

Bridget Culverwell, director at Moore, said: "HMRC will be combing through tax returns looking for reasons to investigate you – so it's crucial you don't make basic mistakes.

"Tax investigations can be very stressful and even a basic investigation can drag on for months.

"If there are sudden increases in your costs or reductions in your income, that reduces your tax, then make sure you explain these to HMRC when you submit your return. That may help stop an inquiry being opened."