

HMRC probes into small firms raise £4.9bn

HMRC collected £4.9bn in extra tax from investigations into individuals and small businesses in 2018-19, but only had to spend £309m on staff to achieve that. This extra tax included £1.2bn from investigations into underpaid income tax.

HMRC's individuals and small business compliance (ISBC) directorate oversees the tax compliance of individuals and small businesses, which it classes as any company with fewer than 20 employees and an annual turnover below £10m.

According to analysis by Pinsent Masons, while HMRC's focus is primarily on large companies, the high level of returns it has received from investigations at the other end of the spectrum means it may consider investing more into staff targeting this taxpayer group.

The law firm's figures show HMRC raises £16 for every £1 it spends on staff carrying out investigations into the tax affairs of individuals and small businesses,

Steven Porter, partner at Pinsent Masons, said: "For HMRC, this is an outstanding result. These returns will spur HMRC on to do more – taxpayers can therefore expect more attention and more investigations.

"Individuals and small businesses are more vulnerable to tax investigations as they are less likely to have access to advisers who can shut HMRC down."

Pinsent Masons said that a key area of focus for HMRC when targeting individuals is self assessment tax returns. If HMRC identifies a mistake on a tax return, then it may conduct an audit of returns filed in previous years too, increasing the likelihood that it will find further mistakes.