## A disclosure success?

*Noel Hankinson explains how the Let Property Campaign works, and admits to be a 'sceptic turned advocate'*

HMRC have, for many years, sought innovative ways to increase the tax take, increase deterrents for non-compliance and balance the internal need for 'bang for buck'.

One of the more recent ways has been to introduce campaigns whereby individuals can come forward either voluntarily or with a 'nudge' from HMRC.

The Let Property Campaign (LPC) has been one of these campaigns and for a disclosure specialist it has been one of the success stories for taxpayers and HMRC alike.

To qualify this success there needs to be some context. Prior to the advent of the Digital Disclosure Service (DDS), voluntary disclosures were predominantly long-winded affairs that involved a greater degree of suspicion from HMRC and usually involved protracted correspondence or full disclosure reports to resolve.

The dawning of the DDS introduced a new way in which people disclosed to HMRC. The need for finding a respective officer or tax office became redundant and, for the first time, certainly for domestic tax issues, a central point of contact for the interested practitioner.

I must admit, when reading the published guidance for the first time, I was a little more than sceptical how the process would work. Having experienced HMRC's investigation machinery first-hand I thought that the utopian idea of a 90-day disclosure window, quick review times and self-assessed penalties was fanciful at best.

I am pleased to say that I was wrong. A fully paid-up sceptic turned advocate.

Yes, it is not perfect, there are still small annoyances, in particular the written language used by HMRC if they cannot readily calculate the settlement figure themselves. But it has allowed those people who did not previously have a ready-made solution and were too scared to step forward, a platform that is controlled, defined and crucially provides closure to what is, in many cases, a source of constant worry.

A recent freedom of information request has revealed that the total value of all settlements to May 2020 under the terms of the LPC has been £220,792,528 from 58,754 submitted disclosures. Broken down, this is an average of £3,757 per disclosure and the penalty average is shown to be 12% of the tax due.

So, what do these numbers reveal?

For me, it confirms that the average disclosure, because there will be some disclosures among the statistics that are into six figures, will typically be an 'accidental' landlord. An individual who through their own circumstances, and typically no thought about the tax consequences, acquired more than one property and let one of those out.

The most common example being two individuals who each own their own properties

deciding for anything but tax reasons to move in together, typically leaving one property empty and made available to rent.

This is exactly the type of individual who HMRC have looked to target with the LPC. So, the average disclosure 'yield' amount comes as no great surprise to me, nor does the average penalty which is at the lowest end of the "careless" behaviour scale.

Furthermore, if a relatively small team of HMRC officers in Newcastle can settle the best part of 60,000 disclosure cases in seven years, then the LPC can also be seen as a win for the taxpayer and proof that HMRC resource is being well directed.

HMRC clearly see the value in the LPC as they have no end date in mind, having originally informed that it would be open for a period of only 18 months.

As an investigations and disclosure specialist, when the client circumstances are right, we do not hesitate to consider the LPC as a means of disclosing to HMRC and the feedback we have from clients is overwhelmingly positive.

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