

## Be afraid...

*Seb Maley explains why we should all be wary of a better-resourced HMRC*

The government will spend an additional £79m to fight tax fraud as HMRC is promised more resources to tackle the tax gap.

This was announced in the Autumn Statement last November, marking a 27% increase on the £292m investment already pledged in the 2021 Budget. By spending more on policing tax compliance, HMRC hopes to raise an additional £725m in tax receipts in the next five years.

Buried in the Budget document, it's referred to as 'Additional Compliance Resource for HMRC', which will "enable HMRC to allocate additional staff to tackle more cases of serious tax fraud and address tax compliance risks among wealthy taxpayers".

The document adds: "The government remains committed to ensuring HMRC has sufficient funding to enable it to maintain its compliance performance over time, while continuing to make efficiencies, both in this and future Spending Review periods".

So what does this mean in practice? And how can accountants, financial advisors and small businesses mitigate the threat of an increasingly aggressive HMRC?

Spending more on compliance activity is a signal of intent. Upping the investment by nearly a third in just one year – and by £371m in two years – shows how serious HMRC is about cracking down on tax fraud.

It's also a sign of the times. The government has made no secret about the £43bn hole in the UK public finances – an eye-watering amount that public services need every year.

As far as the Prime Minister and Chancellor are concerned, ramping up HMRC's compliance activity and scrutinising high-net-worth individuals is a good place to start. Although, I'd be surprised if Sunak had ex-Chancellor Nadhim Zahawi in mind as the first big win.

But HMRC pursuing well-off – even very wealthy – people in the public eye is nothing new. It's something the tax office has made a habit of in recent years, particularly regarding IR35 compliance.

Take Gary Lineker, for instance. My understanding is that the Match of the Day host is appealing a £4.9m tax bill, which HMRC believes is owed as a result of this household name breaching the IR35 rules.

And Lineker is just one of many. Eamonn Holmes, Adrian Chiles and Lorraine Kelly are three of the many freelance presenters who have been subject to IR35 investigations in recent years.

It's important to note that while IR35 has now been reformed, HMRC retains the right to launch retrospective enquiries and, in turn, investigations into contractors.

True, businesses are now also on the hook for non-compliance, but for the next few years, there's nothing stopping HMRC from investigating contractors retrospectively – focusing on contracts completed prior to the introduction of the off-payroll working rules.

At Qdos, we're finding that this is overlooked far too often. Naturally, the focus has turned towards the IR35 compliance of businesses, but there are hundreds of thousands of freelancers and contractors who could yet be approached by HMRC. Accountants and advisors would be wise to make this clear to the one-person companies they support.

The post-Covid landscape and economic fall-out from the now infamous mini-Budget last year also point towards increased tax investigations – not just among society's wealthiest, either.

HMRC launched 137,000 tax investigations in the six months to December 2021. This marked a 9% year-on-year increase and worked out at 1062 new tax investigations being opened every day.

So to state the obvious, tax compliance is essential. In our experience defending contractors from tax investigations and insuring independent workers (along with the businesses that engage them), we're noticing an increasingly aggressive HMRC.

More than ever, individuals and businesses need trusted tax support and protection.

I can't see HMRC easing off any time soon, either. Looking ahead to Spring Budget, to be held on 15 March, I wouldn't rule out yet another increase in funds allocated to HMRC as the government looks to clamp down on what it perceives as tax avoidance or evasion.

- *Seb Maley* is CEO of Qdos Contractor. Email [seb@qdoscontractor.com](mailto:seb@qdoscontractor.com)