

Where's the humanity?

After five years of scrutiny from HMRC, Buzzacott managed to prove gifts to a client. were non-taxable. Barbara Bento and Mia Robinson relate a sorry tale

In September 2021, Buzzacott's Tax Investigations team was approached by an accountant seeking help with an unusual compliance check. Their client, 'Ms K', a non-native UK resident, had been under scrutiny by HMRC for over a year. The issue? Thousands of pounds of cash deposits into Ms K's bank accounts – unsolicited gifts from wealthy overseas friends – were being challenged by HMRC as taxable income.

Despite Ms K's cooperation and repeated explanations, HMRC insisted on treating all cash deposits since 2014 as taxable, initially estimating a total tax liability of over £240,000. Ms K had already provided bank statements and answered extensive questions, yet HMRC demanded more: personal/private and financial details in relation to the non-resident gift-givers. Given the nature of Ms K's relationships with these generous families, their cultural values, religious beliefs and history of supporting her during times of need, approaching them for formal statements would have caused significant embarrassment and risked damaging deeply personal connections. In light of this, we declined HMRC's request.

The human story

The investigation quickly became overwhelming. HMRC's questions stretched back to 2002, questioning every deposit into Ms K's bank accounts, her employment history and her spending. For someone whose first language wasn't English the barrage of letters and demands felt intrusive and relentless. Her mental health began to suffer; she hadn't done anything wrong, only accepted generous gifts from her wealthy friends.

After speaking with Ms K and getting to know her as an individual, her upbringing, family history and personal connections, it was clear to us that she was telling the truth; the gifts were genuine, given by generous friends who saw Ms K as a hardworking, kind and driven individual. The gifts were unconnected to Ms K's employment or any services provided by her. The amounts, while significant to her and HMRC, were modest for the gift-givers.

In this case, HMRC appeared to overlook a fundamental truth about money: its significance is relative to the individual. The gifts received by Ms K, though substantial in monetary terms, were given by friends of considerable wealth, for whom such amounts were neither burdensome nor extraordinary.

For Ms K, however, these gifts carried real financial weight and personal meaning. Despite our repeated explanations HMRC failed to properly contextualise the nature of these transfers, treating them as inherently suspicious rather than recognising the disparity in financial circumstances between the gift-giver and recipient. This lack of perspective was central to the dispute and, ultimately, to our argument for fairness.

It was clear to us that the gifts were not taxable, and we set out to prove it.

Building the case

We undertook a meticulous and structured evidence-gathering process, having observed that HMRC's enquiries over the past year of the compliance check had been piecemeal and lacked coherent direction. We made a strategic decision to take control of the investigation by presenting HMRC with a comprehensive and articulate overview of the facts. Throughout the process we remained focused on the core issue: whether the deposits could be substantiated as genuine gifts. We sought to provide:

- Detailed bank analysis to identify and categorise the gifts;
- Witness statements explaining the nature of the relationships;
- Phone records and messages evidencing the friendships;
- Direct contact with one of the gift-givers, with notes provided to HMRC; and
- Legal references and caselaw supporting the non-taxable status of gifts.

We compiled and presented the documents and supporting evidence in a format akin to an 'evidence bundle' typically used in litigation. Although HMRC had not requested this, as tax investigations specialists we recognised that such clarity and structure was essential to streamline the compliance check and avoid further months of protracted correspondence.

Despite this comprehensive evidence bundle, HMRC remained largely unresponsive. Frustratingly, their line of questioning continued, often focusing on minor transactions dating back over two decades. Throughout the process, HMRC continuously refused to provide a formal view on the alleged tax liability or any reasonable basis as to why they considered the gifts were taxable. During a phone call with HMRC's Case Officer it was suggested the tax liability had risen to £330,000 – yet no written rationale or breakdown of this figure was ever provided. Understandably, Ms K grew increasingly frustrated and incredulous at the prolonged nature of the compliance check, questioning how HMRC could continue for so long without offering any substantive decision or clarity.

At one stage, HMRC appeared to take the view that the gifts were taxable purely because they were substantial in value. In our view, this approach was both unfair and legally unsound. The size of a gift does not alter its fundamental nature, these were genuine, non-taxable gifts, and their value alone should not have triggered suspicion or liability.

Meeting with HMRC

Given HMRC's entrenched position and growing concern for Ms K's wellbeing, we sought the opinion of King's Counsel. He affirmed the strength of our case and arguments, at which stage we proposed an unusual but strategic next step: an in-person meeting with HMRC, with Ms K present.

On 5 November 2024, after years of correspondence, Ms K sat across from three HMRC officers. She shared her story, from arriving in the UK on her own to then building friendships with generous families who supported her. Her account was heartfelt, deeply human and emotionally powerful. It gave life to the written evidence we had submitted, reinforcing the authenticity of her story and the nature of the gifts in question.

The turning point

Following the meeting, HMRC went silent for two-and-a-half months. When we finally had a response it was deeply disappointing. HMRC had disregarded both the comprehensive

evidence bundle and the substance of the in-person meeting with Ms K. Instead, they repeated previous requests for the names and contact details of the gift-givers – ignoring the context, documentation, and personal testimony entirely. Ms K was distraught.

We expressed our dissatisfaction with HMRC's prolonged delays and lack of decisiveness. Both we and Ms K had cooperated fully throughout the process, providing extensive documentation and clear explanations, yet our submissions were repeatedly disregarded. In a final effort to bring the matter to a resolution we submitted a closing letter reiterating our position, accompanied by two statements from the donors themselves, confirming that the gifts were unsolicited, genuine, and given without expectation of return.

Finally, in July 2025, HMRC accepted our position: the gifts were not taxable. The previously asserted liability of £330,000 from the gifts was reduced to nil. However, this resolution came without any apology, explanation or reference to the extensive documentation we had submitted or the meeting with Ms K. It was a quiet acceptance, absent of acknowledgment for the effort, evidence, or emotional toll endured throughout the prolonged compliance check.

Reflections

This case highlights the importance of specialist representation in navigating HMRC's complex processes, particularly where cultural differences, language barriers and differing perceptions of wealth are at play.

HMRC's approach failed to account for the broader context: the human story behind the gifts, the disparity in financial circumstances between gift-giver and recipient and the emotional toll on the taxpayer. Professional advocacy was essential not only in challenging HMRC's narrow interpretation and pushing the case forward, but also in supporting our client through an exceptionally stressful and lengthy compliance check.

Our unwavering stance, detailed evidence, and human-centred approach ultimately led to justice for our client. But the journey was long, costly and emotionally draining. Ms K still feels she was targeted, not believed, and subject to a five-year long compliance check when all she had done was accept gifts from her friends.

- Barbara Bento is Head of the Tax Disputes and Investigations team at Buzzacott. Mia Robinson is a Supervisor in Buzzacott's Tax Investigations team