



Challenging the VATman

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Most businesses, which have been established more than a year or two, will have been inspected by an officer of HM Revenue & Customs at one time or another.

The majority of these inspections are routine in nature and are referred to, nowadays, as assurance visits.

Obviously, if the Customs Office turn up en masse, and come armed with a search warrant, you have got problems. Fortunately, this scenario is rare indeed and there is likely to be no sinister motive behind a request to visit you by a local VAT officer.

It is a fact that most inspections result in the issue of a VAT assessment. The average assessment is only a few thousands pounds but they can run into millions. The complexity of VAT means that almost all businesses will make some error in their day to day activities. Often mistakes are made where transactions outside of the normal business activity take place. This is especially true in relation to land and property matters, where the legislation involved is so difficult to fully comprehend.

The good news is that assessments are now limited to a three-year period rather than six years which used to be the norm. If HM Revenue & Customs can demonstrate that dishonesty is involved, the three-year rule is not applied and businesses can expect an assessment going much further back.

So what do you do if the FVAT man says you owe a few thousand pounds? Some businesses look at the bill and think 'it's only a few hundred pounds for each year since the last inspection, so we might as well accept it'. Fear of upsetting the VAT office can lead to people accepting a bill for VAT that is not justified.

This is an unfounded fear and there is no black mark given to businesses that query assessments.

The law only requires a business to pay the right amount of tax as the right time. If you have any reasons to doubt the validity of an assessment issued to you, it should be challenged.

If you do have a query about this article or any other area of VAT, please contact our VAT partner, Alan Taylor.

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