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HMRC - Business Records Checks

HM Revenue & Customs ("HMRC") will be extending their Business Records Checks ("BRC") programme to include the Aberdeen and Inverness areas in the next few weeks. Poor record keeping by small and medium-sized enterprises is the target of this crackdown by HMRC.

Background

BRC began earlier this year in eight areas around the UK. The programme involves checks on the adequacy of business records, including trading records for business tax and accounting purposes generally, employer PAYE and NIC records (including employee expense and benefits records) and VAT records.

HMRC are selecting cases on the basis of risk assessment, focussing on businesses/employers where they perceive the taxpayer is demonstrating features associated with poor record keeping. There will also be a small number of cases selected at random. Initially, HMRC seemed to be indicating that BRC would be used partly in an educational sense to help taxpayers improve record keeping. However, HMRC are imposing penalties for significant record-keeping failures.

What has happened so far?

The visits conducted from April 2011 to September 2011 totalled around 1500 and were part of a "test and learn" phase for HMRC. These were undertaken by around 30 staff. However, from September 2011, HMRC has announced an increase in the BRC team to 120 with plans to complete up to 12,000 checks by the end of the current financial year, and 20,000 provisionally planned for 2012/13.

What can you expect from HMRC?

HMRC should not arrive unannounced and give at least 7 days notice in writing of their intention to visit. To date the programme has found that around 44 per cent of businesses visited had issues with their record-keeping, while around 12 per cent of those visited had seriously inadequate records.

Do you need a health check?

This is a developing area by HRMC and if you have any concerns and want to be reassured, please contact us. We can offer a range of tax, accounting and systems advice appropriate to the needs of your business. In the first instance, please contact Gordon Robertson (gordon.robertson@aab.co.uk) on 01224 62511.

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**9 QUEENS ROAD
ABERDEEN
AB15 4YL**

**TEL: 01224 625111
FAX: 01224 626007**

**email: accountants@aab.co.uk
web: www.aab.co.uk**