

FAQ - Tax Investigation Fees Protection – For Ltd Company Contractor Clients

11 March 2015

Background

Further to recent client feedback and the increasingly aggressive stance taken out by HMRC, MG Group are taking out a fee protection service with the UK's biggest fee protection company – they are called TaxWise. In this document we answer some frequently asked questions that clients have asked us.

Frequently Asked Questions

Q: What is the MG Group Fee Protection Service?

A: This is a service that provides you with protection against the cost of any HMRC enquiries against your company or yourself personally. Due to requirements from insurers who support the scheme, the cover taken out is separate for each entity or individual. If there is more than one Ltd company that you are a director/shareholder of, then separate cover will need to be taken out for each entity. If you are selected for enquiry or investigation, then MG Groups' fees in defending the claim would be fully covered.

Q: Aren't these costs covered by my usual fees?

A: No. MG Group only charges fees for work that is completed. For clients that pay by standing order the fees will cover routine compliance work such as completion of accounts, tax returns, payroll etc. our fees do NOT cover the cost of an HMRC enquiry or investigation.

Q: What would the charges be if there is an HMRC enquiry or investigation into my tax affairs?

A: For any enquiry or investigation work, we can only give an idea of the costs once we know what the enquiry is about. An enquiry could be in relation to a simple matter, in which case our time would only be around 2 or 3 hours, or it could be in relation to a number of areas, and could be a complex matter that requires several hours worth of work. If the enquiry is in relation to "IR35" then the typical time for the enquiry to complete would be around 30 to 50 hours. Our "charge out" rates for enquiry work are £96 + VAT for managers and £150 + VAT for Director/Partner involvement. An IR35

enquiry could therefore end up costing between £3,000 and £6,000 depending on the facts of the case.

Q: What is the probability of me being selected for investigation?

A: There is a small chance of being selected for enquiry, as the majority of clients will not have any questions asked in relation to their tax affairs. However, HMRC do routine random enquiries and if selected for this, there could be significant costs.

Q: Why have MG Group not offered this protection before?

A: We have been aware of fee protection insurance for a number of years, but we have always felt that might reflect badly on our practice – with clients thinking that our services should mean that there are no enquiries. Unfortunately as the number of cases that HMRC have increased across all taxpayers, we have had to deal with more enquiries and clients have had to pay for the costs. In all the cases undertaken last year, we did not have any further tax due as a result of advice or compliance work undertaken by MG Group. However, we then had to still ask clients for fees in relation to the work, and this was usually a difficult conversation. Some clients asked us why we did not offer fee protection to them!

Q: I want to find out further information before going ahead – what should I do?

A: Please get in touch with your usual MG Group contact who will explain more about the Tax investigation fee protection service that we offer.

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