



TAXbite – using HMRC toolkits

ICAEW TAX FACULTY

HMRC toolkits for agents

- HMRC has produced toolkits for tax agents and advisers to provide guidance on areas of error frequently seen in tax returns.
- These toolkits set out the steps that you can take to reduce those errors
- The 20 toolkits available currently can be downloaded from <https://www.gov.uk/government/collections/tax-agents-toolkits>

Topics available

- Capital Gains Tax toolkits
- Companies toolkits
- Employer toolkits
- Toolkits for individuals
- Property rental toolkit
- VAT toolkits
- Trusts and estates toolkits

Areas where HMRC most frequently find mistakes

- Omission of Sales/Income
- Other Business expenses
- Car, Van and Travel expenses
- Capital Allowances
- Construction Industry Scheme deductions

HMRC toolkits for agents

HMRC updates the toolkits regularly (annually in most cases) and each contains three elements:

- a checklist of potentially difficult or problematic areas where HMRC says errors often occur
- explanatory notes
 - more details about each issue
- references to further information (usually to the HMRC manuals)
- Using a toolkit demonstrates reasonable care.

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Business expenses: Private and Personal Expenditure Toolkit

- Non-business expenses being incorrectly recorded or mis-posted in the business records and claimed in error as allowable expenses. Conversely justifiable business expenditure may not be claimed or claimed inaccurately
- Proprietor's or partners' finances and those of the business being closely linked
- General principle - entertaining and gifts are specifically disallowed, but exceptions?
 - entertaining employees (within certain limits)
 - small gifts that include advertising
- Travel expenses
- Drawings?

Tips for using a toolkit

- aimed at agents and advisers, although they are available to anyone. T
- Useful if you are dealing with an area which you are not involved with on a regular basis
- You do not have to use the toolkits – their use is optional not mandatory.
- How should a toolkit be used?
 - Print off the checklist and work through it
 - Use the toolkit to check that the perceived risks are covered by your own tax return review procedures
 - Use as a possible training aid for staff
- You are not required to tell HMRC whether or not a toolkit has been used
- HMRC's views do not have statutory force. There may be other valid views of how tax law should be applied to a particular item

Reasonable care

- HMRC states that the use of a toolkit may help to demonstrate that reasonable care has been taken (in the context of the penalties regime for errors in returns)
- The obligation to take reasonable care in preparing a return or document is that of the taxpayer, not their agent
- A person may seek professional advice and appoint an agent to help
 - They should then ensure, within their ability and competence, that the agent they have appointed is competent to do the job and is doing it

Sources of help

- ICAEW Tax Faculty help for ICAEW members at <https://www.icaew.com/en/technical/tax/working-with-hmrc>
- GOV.UK help for agents at <https://www.icaew.com/en/technical/tax/working-with-hmrc/hmrc-toolkits>
- Join the Tax Faculty at <https://www.icaew.com/en/groups-and-networks/faculties/tax-faculty> for benefits such as webinars, the referral scheme with expert advice only a phone call away, monthly magazine, TAXline, and deeper insight with TAXguides

Thank you for attending

We hope you have found this webinar useful.

For further information about the Tax Faculty and the benefits of membership please download the resources accompanying this webinar or visit

 icaew.com/jointf

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