

Partnership VAT confusion led to a £61,000 bill plus a £4,500 penalty and interest.

The problem

In 2014 HMRC started a VAT investigation into a partnership and concluded that it should have been registered for VAT between 2007 and 2013 and as a result, owed VAT of £61,000, plus a penalty of £4,500 plus interest.

For a small business, this would have been a massive blow and could well have meant the business owners having to sell their house and so this was extremely worrying for them. Whilst HMRC can normally only go back and assess VAT for the last four years, where there has been a failure to register they can go back for 20 years and as a result they could assess all the VAT which should have been charged in this period.

The solution

After a period of difficult exchanges with HMRC, a solution was found and eventually accepted by HMRC which was to issue VAT only invoices for this 6 year period which would mean that there would be no net VAT cost to the business. As almost all customers were VAT registered and could therefore recover the VAT charged, there would also be no cost to them. After a further 10 months of debate with HMRC, they were finally persuaded to accept the VAT only invoices and as a result closed their enquiry with no net VAT cost to the client and no interest or penalties charged. **Savings for client - £70,000.**

The client said

“Wilson Partners dogmatically pursued our case for over 2 years and eventually managed to resolve matters with no cost to us.”

We said

“We enjoy finding solutions to our client’s problems, even where it may take several years of hard work to reach a satisfactory outcome. Rather than take the easy solution, which in this VAT investigation would have been to accept HMRC’s position, we prefer to use our knowledge and experience to find the right solution for our clients.”

Alan Ross, Tax Director,
Wilson Partners