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'We were persecuted and made to fear we would lose everything': The tiny cafe the taxman said owed £500,000

By [Ruth Lythe](#)

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Grandmother of 11 Icilda Newell ran her tiny Caribbean cafe in North London for love. There was just enough room for a small counter, a cooking area and a few tables and chairs.

But she had a stream of regulars who came for the spicy patties (pasties), curried goat and saltfish fritters, and fondly nicknamed her 'mum'.

Most would typically pay around £4, though many spent as little as 50p. For Mrs Newell, 70, it was never about the money - by opening her cafe, she was fulfilling a lifelong ambition.



Vindicated: But Icilda and Hugh Newell suffered years of stress

That was until the day all small business owners dread - the taxman came calling and made a devastating accusation.

He implied she had pocketed the profits from more than 13,000 customers a year for 16 years and then failed to declare them to the Revenue. In total, HMRC said she owed more than £500,000 in unpaid

taxes and fines.

Mrs Newell, who was later described by a judge as 'transparently honest', says: 'I cried for a week when I heard the news. I thought I would lose everything. I was absolutely devastated. My health suffered and I could not sleep at night with the stress.'

An excellent chef, Mrs Newell had always dreamed of cooking for a living. Like her husband, Hugh, she moved to the UK in the Sixties from Jamaica and worked as a nurse and in a factory.

Mr Newell studied engineering and worked in factories before setting up a taxi business. They opened Tanya's Takeaway, named after the first of their 11 grandchildren, in Willesden Green, North London, in 1988.



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For years, the business ran like clockwork but barely made much of a profit. She opened six days a week, regularly working from 11.30am to 9pm. Then, in 2009, the taxman announced they had been selected for a random VAT inspection.

Mrs Newell was not worried, having been told by HMRC in the past she was doing everything right. She was a diligent bookkeeper, paying bills in cash, but always keeping a record of money that went in and out - even writing notes for when she paid the window cleaner.

She and her husband handed over the neatly kept books and copies of their bank statements. But a few months later Mr Newell was called into an interview with a stony-faced tax inspector.

The official had become suspicious because money going in and out of his bank account fluctuated -

wildly, in some months. The inspector came to the conclusion that the Newells were hiding the true profits of the cafe.

He estimated the tiny takeaway, which served around 70 meals a day, was making £54,000 in undeclared profits a year. In total, over 16 years they were accused of hiding £700,000 in extra profits and ordered to pay £210,000 in tax and £107,000 in penalties, plus interest.

Mr Newell tried to explain. The problem was, while the books of the cafe were generally in order, his personal affairs were far from transparent.

Large sums in and out of his bank account were from gambling. To the outsider this may sound an unlikely excuse, but Mr Newell had a lifelong interest in horse racing. He had held shares in two horses, was friends with jockeys, trainers and stable lads and made frequent visits to race meetings.

He had also worked for a bookmaker. His bets and winnings, often totalling several thousand pounds, and that of a friend whom he went to the races with, were often pooled together in this account.

Crucially though, his claims were backed up by records from the bookmaker he used. Yet the taxman would not believe them. So, the Newells appealed, and the row over the unpaid bill dragged on, with HMRC constantly demanding payment. It cast a shadow over everything they did.

In May last year they handed over the management of the cafe. In November, they were finally awarded a tribunal before a judge. On the first day, having shown no previous signs of yielding, HMRC suddenly dropped its demand for the first ten years of tax.

On the second day, the judge found in their favour. The relieved Newells burst into tears. In his ruling, Judge Roger Berner said HMRC was wrong to demand the extra tax. He described Mrs Newell as 'transparently honest' and her submissions as 'compelling'.

Mr Newell says: 'The last years have been agony for us both. We are both hardworking people who have done nothing but toil in the 54 years since we came to Britain.

'We have paid everything we owe in tax, but we were persecuted and made to fear we would lose everything. Life is made so hard for small businesses to survive in this country, yet big corporations can get away without paying anything.'



Tactics: HMRC raked in £565million from investigations into small businesses last year, a big rise on the year before.

The couple, who employed a forensic accountant to help them fight their corner, now face another battle with the Revenue for compensation.

Last year, HMRC raked in £565million from tax investigations into small businesses, up from £434million in 2012. Experts say the taxman increasingly uses special tactics, which mean business owners risk prosecution.

These were originally designed to tackle serious fraudsters, but HMRC is understood to be using them to quickly claw money back from small businesses.

These business owners include many who look after their own books and cannot afford expensive lawyers and accountants — and who say they get rough justice compared with the treatment meted out to giant corporations such as Google and Amazon.

Martyn Arthur, the forensic accountant who represented the Newells, says: 'This is among the worst cases I have ever encountered — it was simply off the scale.'

'It should never have been brought, but I fear we will see similar things happening to other small business owners.'

'HMRC is like a whale which survives on tiny plankton. It allows the big fish to go free and goes after the small fry. If it threatens and terrifies enough of the little people into paying up, it can generate huge amounts of money.'

An HMRC spokesman says: 'We don't comment on identifiable taxpayers but most cases are settled by mutual agreement. If the taxpayer doesn't agree with our analysis, they can opt to take the case to an independent tribunal as part of the normal checks and balances built into the tax system.'

'We treat all businesses even-handedly irrespective of their size, in line with tax law.'