



**HM Revenue
& Customs**

**Local Compliance
Small & Medium Enterprises**

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Mr M Arthur
Martyn F Arthur Forensic Accountant Ltd
23 Bryneglwys Gardens
PORTHCAWL
CF36 5PR

Date
Our ref
Your ref

Dear Mr Arthur

A

Further to my e-mail dated 27 November 2012 I can advise you that the penalty position has now been considered.

The 2005-2006 to 2007-2008 tax years fall to be dealt with under the old penalty legislation, Section 98A, Taxes Management Act 1970. The duties for these years total £13,814.39. Section 98A provides for a maximum penalty of 100% of the additional duties to be charged but this is reduced based on what was disclosed to HMRC, how much your client co-operated with HMRC and how serious the mistakes were.

After consideration of all the facts I consider the reductions due are as follows:

For disclosure I have given the maximum reduction for a prompted disclosure of 20%. For co-operation I have given a reduction of 35%. I have not given the maximum reduction of 40% for co-operation as it was necessary to issue a Schedule 36 'Notice to provide information and produce documents' during the course of the review to obtain the information required to proceed with the review.

For seriousness which considers size and gravity of the offence I have given a reduction of 30%. This is because Mr [REDACTED] had not taken sufficient care to ensure that the treatment of the payments to labourers was correct and this in turn led to a loss to the Exchequer over a period of several years.

This equates to an overall reduction to the penalty of 85%.

This means that the penalty to be charged for the 2005-2006 to 2007-2008 tax years is 15%. Therefore the penalty due is £13,814.39 x 15% = £2,072.16.

I have also now calculated the interest due on the additional duties from the due date which was the 19 April following the end of each tax year to an anticipated date of payment of 31 December 2012.

I have attached a summary showing the total Income Tax , interest and penalties due.

Information is available in large print, audio and Braille formats.
Text Relay service prefix number – 18001

Assistant Director: Dan Thatcher



I would now like to invite Mr [REDACTED] to make an offer to settle the additional duties, interest and penalties.

The amount to be offered is of course a matter for Mr [REDACTED] to decide. I can however advise you that The Commissioners for Her Majesty's Revenue and Customs would be prepared to accept an offer of £18,750.00.

I have enclosed a letter of offer and a specimen letter of offer to assist your client in making the offer.

I would be grateful if you could arrange to have the letter of offer completed, signed and dated and returned to me by 14 December 2012.

If you have any questions regarding this matter please contact me on the above telephone number.

Yours sincerely

[REDACTED]

Compliance Caseworker

[REDACTED]