

Can your VAT Officer drop in unannounced?

No, says Steve Allen, Director of VAT Solutions, who warns of a worrying new 'policy'

Unannounced visits

HMRC have a new policy of what he calls 'unannounced visits'. It all sounds quite innocuous, but what it actually means is that the VAT Officer is turning up without an appointment, entering a businesses premises, uplifting the records, questioning the trader (often in front of customers), and then leaving to examine the records at his leisure.

HMRC have started doing this on a test basis, starting with pubs and garages in selected regions, but they have plans to extend it nationwide in the near future to other cash based businesses and retailers.

HMRC powers

HMRC have extensive powers, but they do not extend to giving them the authority to undertake unannounced visits. HMRC's powers are contained in Schedule 11 of the VAT Act 1994, and allow them to enter premises to inspect goods at any 'reasonable time'. What is key to the VAT Officer's powers are that although he can demand the production of records and fine a business for non-production of those records, it has to be at a reasonable time. If the records are key to the operation of the business, the VAT Officer has to make copies and provide them free of charge.

HMRC have no automatic right of entry to premises to inspect records, so a trader can legitimately refuse entry if it is inconvenient. What has

happened is that the VAT Officer has turned up at a pub midway through the evening, demanded to examine the till, and then uplifted the records. They have no authority to do this if the trader finds it inconvenient. In addition the VAT Officer has no power to put oral questions or demand oral answers on the spot.

HMRC Officers have relied on their reputation to intimidate traders into letting them in and taking the records away. The trader just assumes they have the power to do it, and so just goes along with it.

What should happen

What the VAT Officer should do is inform the trader of his rights and also the Officer's powers, so, in theory, it should go something like this – "I do not have the power to enter your premises but request your permission to do so, and then I would like to uplift your business records and take them away for inspection". The trader may be happy to co-operate, but on the other hand, he may just have opened his premises and be dealing with customers, so is unwilling to deal with the Officer at that time and would prefer him to make an appointment to come back later.

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