

- Oranges and Lemons - Greengrocer
- Employee capacity of 4
- Gross annual turnover of £250,000
- Holds a Commercial Legal Protection Insurance policy (CLPI)



ABBHEY LEGAL
PROTECTION

A taxing situation

Oranges and Lemons, a local greengrocer based on the high street in Canterbury is owned by Mr and Mrs Smith. Last year they renewed their Commercial Legal Protection Insurance (CLPI) policy provided by Abbey Legal Protection (ALP) for which they pay an annual premium of £150. This provides them with expert help and representation with regards to tax issues in the event of either an in-depth or an aspect investigation, a VAT tribunal or an Employer Compliance dispute.

Oranges and Lemons had a gross annual turnover of £250,000 but their profits were less than £10,000, this along with the fact that it was a cash based business prompted HMRC to launch an enquiry into the business.

Although the client operates two tills in their shop they had not retained any till rolls to support the declared turnover. This was the primary concern to the inspector who proceeded to prepare a business economics exercise to try and quantify the possible sales that could have arisen. Needless to say the assumption used in this calculation favoured HMRC. The inspector's proposals resulted in an additional liability of circa £13,000 over a three year period on which interest and a penalty would be charged.

Oranges and Lemons consulted the ALP helpline and Abbey's Tax Consultant was able to rework the inspector's Business Economic calculations and then negotiate a reduced settlement. This resulted in a final settlement of £5,700 including tax and penalties. The ALP Commercial Legal Protection Insurance Policy covered the costs of over 30 hours of the Tax Consultant's time dealing with the enquiry costing in excess of £3,000.

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