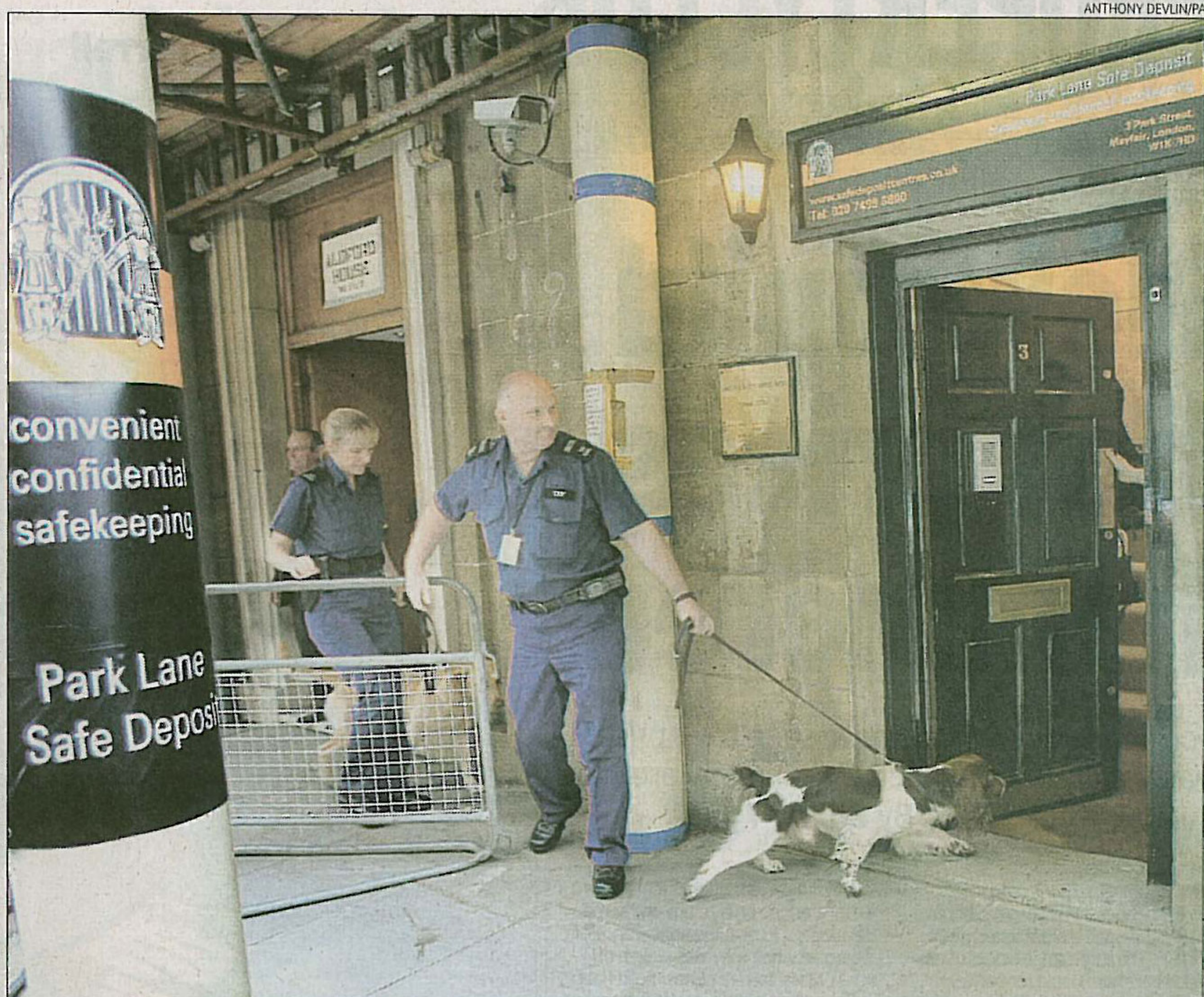


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Police dog handlers enter the Park Lane Safe Deposit offices as part of co-ordinated raids in three London areas earlier this month

# If you've been caught out over tax try to do a deal quickly

Following police raids, HMRC seems to hold the aces but all may not be lost, writes **Noshir Avari**

**P**OLICE seized a potential £1bn "treasure trove" of cash, drugs and guns in an unprecedented raid on 7,000 safe deposit boxes earlier this month.

Scotland Yard said the operation may unlock clues to every layer of serious crime in Britain, including murder and drug trafficking, and people who have stepped over the line that distinguishes tax avoidance – legal ways to diminish bills – from tax evasion – illegal attempts to avoid paying their dues – will also be affected.

More than 300 officers and staff were involved in simultaneous raids at three London depots – in Park Lane, Hampstead and Edgware.

Metropolitan Police Assistant Commissioner John Yates said: "Each box will be treated as a crime scene in its own right."

Money and other items found in the boxes have been impounded, with box owners invited to apply for the return of box contents felt to have an innocent origin. While the ownership of many boxes has been established, in a large number it has not, and a substantial sum has not been claimed or returned.

Although the anti-terrorism law was used, it is clear that the owners of many boxes may have been involved in theft, drug trafficking or tax evasion.

There are likely to be many people who placed money in strongboxes for tax reasons and are wondering whether the raids on the offices are soon going to lead to criminal action against them, with loss of substantial funds.

In advising such individuals, the recommended course of action is likely, in general, to be similar to that adopted with those affected by last year's HM Revenue & Customs (HMRC) offshore disclosure campaign. That is, to come clean and disclose full details of any tax irregularities which have given rise to money locked away in strongboxes, well away from the prying eyes of HMRC.

But there are important contrasts with the offshore disclosure regime cases, and some vital aspects to be addressed.

First and foremost, there is no amnesty on offer. Any tax due will be subject to penalties at a much higher rate than the 10pc offered last year.

Since it is likely that some of the raided boxes contain evidence of fraud which is clear-cut and detailed, kept



A woman, with her face pixelated to protect her identity, is arrested and put in a van at the Park Lane offices

on the assumption that this damning information would never see the light of day, we may see some high-profile prosecutions.

Second, there is a very definite element of "guilty until proved innocent". This is because the Proceeds of Crime Act basically requires that anyone claiming back money, financial instruments and other valuable assets impounded will have to prove that the items were legitimately acquired. That may not be easy. It may be impossible.

In the case of anyone in business, there is an obvious added factor – HMRC will presume that such funds represent diverted receipts of the business and will wish to investigate the personal and business finances of the box holder and his or her businesses and associates to establish the full extent of undisclosed income and gains. In serious cases this might lead to prosecution

but, in any event, it is likely to result in a financial settlement with HMRC which will make a serious hole in the funds.

Third, HMRC will also expect that profit or income understatement will extend beyond anything in the box. In some cases, there will no doubt be offshore bank statements and other documents revealing additional funds and assets held elsewhere, and there is inevitably the question of what further amounts of extracted funds were spent supporting an extravagant lifestyle.

HMRC will rightly point to their experience that investigations initially based on known amounts banked, or perhaps introduced to support a business, usually throw up significant additional taxable profits and gains which can multiply the yield for the department. This is a sound reason for expert representation in dealing with such a case.

The message is clear. For those caught in the strongbox net, it is critical that an early approach is made to HMRC with a view to securing an agreement that the case will be dealt with as a money

settlement. This requires a properly thought-out strategy tailored to the particular circumstances of the case, and skilful and imaginative professional representation can make the difference between an effective damage-limitation exercise and complete financial disaster.

Once again, this is a situation where HMRC seems

to hold all the aces, but that does not necessarily mean that the taxpayer has to lose his shirt.

*Noshir Avari is principal of Avari and Associates, tax investigation consultants. He served HM Inland Revenue for 20 years. For more information go to [www.avariandassociates.co.uk](http://www.avariandassociates.co.uk)*

'Each box will be treated as a crime scene in its own right'

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