

UK Tax Authority (HMRC) 'Nudge' Letters

By **Paul Webb**, 25th July 2022

As the UK tax authority ('HMRC'), are returning to normal operations, they are revising their approach to encourage compliance. HMRC have at their disposal vast pools of information from overseas jurisdictions, from Companies House and from the Land Registry. They are using this data to subtly push people towards compliance, which is why they are called 'nudge' letters. The letter is designed to prompt or nudge the taxpayer into reviewing their tax returns and finances to determine whether further income or gains need to be notified to HMRC.

HMRC has recently issued 'nudge' letters to UK taxpayers who it believes hold crypto assets. The letter advises them that Capital Gains Tax issues can arise on any gains realised from the sale, or deemed disposal, of crypto assets. This can include the outright sale of crypto assets for cash, exchanging one crypto asset for another or using crypto assets to acquire goods or services.

What should you do if you get a 'nudge' letter?

It is important to undertake a thorough review of your sources of income and gains to consider if your filings are correct and complete. If you are sure that everything is in order, you can respond to HMRC to this effect.

The HMRC 'nudge' letter asks the individual to sign and complete a 'certificate of tax position' declaration. This includes a confirmation of understanding that a false declaration is a criminal offence and can result in an investigation or even criminal prosecution. There is no legal obligation on the taxpayer to sign the declaration and if your affairs are in order it may be best to respond to HMRC by letter rather than with the 'certificate of tax position' provided.

If you have overlooked a source of income or gain, then this will need to be corrected as soon as possible. Different disclosure routes are available depending on the individual's circumstances and one such route is via the Digital Disclosure Service (DDS).

How We Can Help

It is advisable for the individual to seek specialist tax advice on receipt of a HMRC 'nudge' letter.

Our tax team, in the UK office, can help you review your tax position and can respond to HMRC and confirm what action, if any, will need to be taken to resolve the matter. In our experience, getting the strategy right to resolve the enquiry, in the most cost-effective way, is the key to minimising any potential damage.

For more information, please contact Paul Webb or Karen Dyerson at the Dixcart office in the UK: advice@dixcartuk.com as soon as possible to discuss the position.