Disclosures and HMRC’s KYC initiative

Employment Tax **Large Corporate**

01 March 2016

CIOT update on ‘know your customer’ visits

Part of HMRC’s large business risk review process involves a ‘know your customer’ (KYC) visit to around 2,000 of the UK’s largest employers. Although the initial KYC letter makes it clear that the visit is not a compliance check, a point of concern has arisen as to whether any disclosures made to HMRC after receipt of the opening letter are prompted or unprompted.

HMRC use KYC to form a picture of how a business manages its employer compliance obligations. Although the initial purpose is to enable HMRC to understand the environment within which the business engages with its workforce, HMRC may use the information gathered when meeting the business as the basis for further enquiries and compliance checks.

The CIOT understands that HMRC’s view is that, although KYC is not a formal compliance check nor the start of one, any voluntary disclosure submitted after the business has been notified of an intention to hold a meeting will prima facie be considered as ‘prompted’ by HMRC. We do, however, also understand that HMRC is prepared to consider any evidence a business can provide to demonstrate that a disclosure was imminent and therefore should be treated as ‘unprompted’. However, each case depends entirely on its own circumstances.

HMRC’s advice is that a business that wishes the disclosure to be treated as ‘unprompted’ should contact its customer relationship manager (CRM) at HMRC as early as possible to notify that a disclosure may be in progress (even if further investigation could prove that no disclosure is required) rather than wait for all the work to be completed.