HMRC - IPT09125 - Assessments: Pre-Assessment Letter

In 1996, following a recommendation from the Revenue Law Committee, which was supported by the Solicitors Office, the practice of issuing a letter prior to assessment was introduced as an important element in the assessment process. The letter has become known as the “pre-assessment letter” but it has also been referred to as the “letter of request” or “letter of intent to assess”. The letter always precedes the making of an assessment. The issue of a pre-assessment letter is now one of the key principles in the procedure for making and notifying assessments.

The letter does not need to be issued if there is already agreement to the proposed assessment, or the assessment will relate to - for example an imminent assessment time limit is approaching (see IPT09130).

Reasons for and advantages of pre-assessment letter

The aim of the letter is to provide clarity for businesses and to reduce the number of unnecessary tribunal appeals, particularly in contentious, or complex, cases where assessments were being questioned on the grounds of best judgment, so saving litigation costs for both businesses and HMRC.

The letter has a number of advantages. It:

gives businesses time to consider and understand the details of an assessment before it is made;

allows businesses to provide further evidence or information which may lead us to amend the basis of the assessment;

demonstrates the exercise of reasonableness when considering an assessment, so helping complex assessments pass the best judgment test.

Explaining assessment decisions

Some businesses, especially smaller enterprises, may experience difficulty in grasping the explanation for an assessment given during an assurance visit. Full understanding of the reasons underlying assessments may help reduce the number of reconsiderations and appeals and help the business to get it right in future. Use of the pre-assessment letter will help explain an intended assessment decision and:

ensure that we comply with our responsibility under the Freedom of Information Act to explain the reasons for our decisions; and

project a professional image of the Department.

Grounds of appeal

The letter also assists businesses to complete Sections 1 and 2 of the TRIB 1 correctly. Currently, unnecessary time can be wasted by local offices, Solicitor’s Office and the Tribunal in establishing the exact grounds of an appeal. Knowledge of the grounds of appeal is a vital prerequisite to both understanding the nature of any dispute and preparing an effective counter argument. If an appeal is lodged the letter will help form the basis of the Commissioners’ case when instructing solicitors.

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