HMRC Risk Assessment Report

Tax Year:	2023-24	Risk Score:	6/100
Turnover:	£50,000.00	Risk Band:	LOW
Total Expenses:	£6,000.00	Profit:	£44,000.00

Risk Indicators Triggered

• Multiple rounded figures detected (+6 points)

Detailed Analysis

1. Executive Summary (2–3 sentences) For 2023–24 the overall HMRC enquiry risk is assessed as **LOW (6/100)** based on the data provided. The only triggered indicator is the presence of **multiple rounded figures**, which can attract attention because HMRC commonly uses this as a proxy for estimates rather than source-backed accounting. No other risk indicators were flagged from the ratios provided.

---

2. Detailed Analysis of Each Triggered Risk Factor

Trigger: Multiple rounded figures detected (+6 points) What this suggests (risk indicator only): • Rounded totals (e.g., expenses reported as “£6,000” or other repeated round numbers) can indicate that figures may have been estimated rather than compiled from invoices, receipts, bank records, or accounting software. • HMRC compliance activity often focuses on whether returns are supported by contemporaneous records. A pattern of rounding can be interpreted as weaker evidence quality, even if the underlying amounts are

correct.

Why it can raise HMRC interest: • HMRC's common enquiry approach includes checking for credibility and accuracy in entries, and rounded numbers are a recognised pattern associated with less robust record-keeping. • If rounded figures appear across multiple cost categories (rather than being confined to a single legitimate rounded amount), this can be viewed as an indicator that the accounts may rely on approximations.

What it does not prove: • It does not, by itself, demonstrate incorrect reporting. It is simply a selection risk marker used in screening and review.

---

3. What HMRC Typically Examines in These Cases Where "rounded figures/possible estimates" is the key feature, HMRC review activity commonly focuses on **evidence, traceability, and method**:

1. Underlying source records • Whether expense totals can be tied back to invoices/receipts and/or digital records. • Whether explanations exist for any figures that were legitimately rounded (e.g., an annual fixed contract amount).

2. Business bank account reconciliation • HMRC often checks that turnover and expenses reconcile to bank statements (including identifying non-business items, transfers, cash withdrawals, or personal expenditure). • They may look for signs of unrecorded income or unsupported expenses.

3. Consistency and plausibility • Expense ratio is 12% and profit margin 88%. High margins can be entirely commercial (depending on sector), but HMRC may test whether: • costs are genuinely low due to the nature of the work, or • expenses are being omitted, misclassified, or not recorded consistently. • They may compare the pattern of costs (motor, travel, home office) against the activity described.

4. Targeted review of high-sensitivity expense categories • Motor costs ratio: 12%; Travel ratio: 1%; Home office ratio: 0.6%; Mileage claim value: £0. • HMRC commonly scrutinises these areas because they often include mixed private/business use and can be error-prone. In a "rounded figures" case, HMRC may verify that these amounts are supported and correctly categorised.

5. Method of bookkeeping • Whether figures came from accounting software, spreadsheets, or manual summaries. • Whether the taxpayer can show a consistent method used throughout the year (rather than reconstructed totals at year-end).

---

4. Document Checklist (specific records the taxpayer should maintain) To support the figures reported (especially where rounded numbers appear), HMRC typically expects clear, retrievable evidence. Maintain:

Income / Turnover support • Sales invoices issued (numbered sequence where applicable). • Bank statements for all accounts used for business receipts. • Sales records from platforms/payment processors (e.g., Stripe/PayPal summaries) if relevant. • Cashbook records (if any cash received), including dates and amounts.

General expense support • Purchase invoices and receipts for expenses included in the £6,000 total. • Supplier statements and payment confirmations. • Contracts/subscriptions showing fee terms (helpful if any amounts are fixed and therefore naturally rounded). • Accounting ledgers or detailed transaction lists (software exports or spreadsheets showing date, supplier, description, amount).

Motor costs (flagged by ratio context, even though not a “trigger”) • Receipts/invoices for fuel, servicing, repairs, insurance, VED, breakdown cover. • Vehicle details (registration, ownership/lease documents). • Evidence of business use basis (e.g., diary entries, job schedules, client visit logs), especially where private use is possible.

Travel (where applicable) • Tickets/receipts for public transport, accommodation, parking, tolls. • Trip purpose notes (client/site, date, destination) to evidence business purpose.

Home office • Evidence supporting the home-working basis: utility bills, rent/interest statements where relevant, council tax, internet/phone bills. • Working pattern records (e.g., calendar or timesheets) showing home-working days/hours, if used in calculation. • A calculation worksheet showing how the home office amount was derived.

Banking and year-end support • Full-year bank statements (business and any personal accounts used for business activity). • Reconciliations tying recorded income/expenses to bank transactions. • Year-end accounts summary and working papers used to compile the return.

---

5. General Recommendations for Record-Keeping (non-advisory; risk-reduction focused) - **Avoid “rounding by approximation”**: Where totals are naturally round, retain the document that explains why (e.g., annual contract at an exact amount). Where they are not naturally round, keep itemised transaction-level detail. - **Maintain a clear audit trail**: Ensure each line of income and each expense can be traced from the tax return → accounts summary → transaction

list → bank entry/receipt. - **Keep contemporaneous notes for mixed-use categories (motor/travel/home working), recording the business purpose at the time rather than reconstructing later. - **Use consistent categorisation** across the year (same type of cost always recorded in the same category) and retain the underlying invoices/receipts. - **Store records in an accessible format** (digital copies are acceptable in many cases) with a clear folder structure by month and category, so documents can be produced quickly if HMRC requests them.**

Scope note: This report describes risk indicators only based on the triggered rule (rounded figures) and typical HMRC review patterns for evidential robustness. It does not provide tax advice or confirm whether any amount is allowable or correct.

Important Legal Notice

Report generated: 01 February 2026 at 04:29 UTC

Reference: a6e12957-3d3b-4897-9d4f-f44a8afb3372