

# Risk Assessment

## Directors' and Shareholders' liability for corporate taxes and penalties Joint Liability Notices

### Schedule 13 (& s100) Finance Act 2020

**The trigger** is a corporate insolvency (very widely defined<sup>1</sup>).

HMRC may be able to issue a **joint liability notice** to people involved in the **ownership and management** (very widely defined<sup>2</sup>) of the insolvent company. Suppose they do. Those people are then jointly and severally liable (with the insolvent company) for some or all of its debts to HMRC.

#### Case 1 - Companies that evaded tax (or avoided it aggressively)

Warning signs:

- Involvement with tax avoidance arrangements (see 6(1) of schedule 13);  
or
- Tax evasive conduct (suggestions that HMRC was misled intentionally).

#### Case 2 - Phoenix businesses

Warning signs:

- Business is being transferred to NewCo.
- It's been through at least one previous insolvency.
- At least one individual linked to NewCo and previous BustCos.
- Previous BustCos owed tax (or compliance defaults to HMRC).
- Total tax owed is:
  - Over £10k; and
  - More than that owed to all other unsecured creditors.

#### Case 3 - Tax advisors

Warning signs:

- Company (at risk of being) penalised from involvement with tax avoidance schemes (see 5(6) of schedule 13).
- HMRC likely to be a creditor, owed that penalty.

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1       LLPs included; and overseas insolvency procedures.

2       The definitions are not the same in all three cases. But even investors are at risk.

### Further information and assistance

If we can help you with further information, please contact:

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