



Motor Dealers – Real World responses to HMRC’s ‘nudge’ email

In an email issued on 26 September 2022 and headed: ‘Sale of vehicles on finance: risk of VAT errors’, HMRC prompted dealers to address a known VAT risk.

The email concerned differences between the values declared on vehicle sales invoices produced from a Dealer's Management System (DMS) and those presented to finance companies for PCP sales.

MHA commented on this at the time highlighting the link which HMRC made in their email between compliance with the ‘nudge’ and the responsibilities of SAOs (Senior Accounting Officers) [HMRC email targets Motor Dealers and Senior Accounting Officers.](#)

In the intervening few months, we have seen the real-world impact of

this exercise via our network of motor dealer clients. **The results are unsettling.**

Finance Directors at dealerships have always been aware of this potential problem to some extent as it has been recurring and prevalent for decades. However, the exercise (prompted by HMRC) of deep-diving into the data is revealing the extent to which sales staff have failed to appreciate the significance of the values they enter when seeking finance on behalf of eager customers.

We are currently assisting dealers who through their internal

investigations have uncovered error rates with some lenders on more than 40% of all proposals, with consequent VAT errors in excess of six figures in some cases. The extent of the problem is worse where the lender's policy was to refuse to finance negative equity or non-vehicle additions such as GAP insurance.

This incentivised sales staff to find 'work-arounds' to ensure that the loan was sufficient to cover the sale. Any dealer who has not started this review or assessment exercise would be wise to do so. HMRC are likely to pay particular attention to dealers who do not review their own compliance and seek to discover and address the problem.

If HMRC discover an error which the dealer ought to have found, penalties are likely to be significantly higher.

As sector specialists, we are here to support, ensuring that: errors are correctly calculated; disclosed appropriately; processes are in place to prevent recurrence; and penalties are minimised. We can also help in discussions with HMRC to mitigate the impact of the error.

Please contact us for an informal discussion and see how we are able to support you and your business.

For further information, or a confidential discussion, please contact



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