
TAX E-NEWS

Welcome to our monthly tax newsletter, designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter and remember - we are here to help you so please contact us if you need further information on any of the topics covered.

OVERSEAS HOLIDAY HOMES

As a separate initiative HMRC is targeting UK residents with overseas properties, but only if the taxpayer has assets between £2.5 million and £20 million and/or those who they reckon should be in the 50% tax bracket.

Letting of an overseas property by a 20% or 40% taxpayer may well not result in any UK tax to pay as the country in which the property is situated will want tax on the profit, which can then be deducted from any UK tax arising. So that is why the targeting is limited. However they say they will also look at those who on the face of it do not appear to be in a position to buy an overseas property.

If you own an overseas property and have any concerns about UK tax do please talk to us now.

TAX DUE BY 31 JANUARY 2012 BUT YOU CANNOT TRACE A PAYSリップ?

We know this can be a regular problem for some of our clients. One solution is to pay electronically - something which HMRC wish we would all do. Otherwise a new arrangement has been made this year whereby we enter your details online and a completed payslip is then created.

NEW SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

We now have more details of this exciting new scheme to start on 6 April 2012. It can give you significant tax breaks for small investments in start-ups, but of course it is high-risk (yes, we know, if there was little risk they wouldn't need to offer big tax breaks!)

In summary:

- ◆ Income tax relief at a 50% fixed rate, even if you pay tax at the 20% or 40% rates, with a maximum annual investment of £100,000
- ◆ CGT exemption on gains made in 2012/13 reinvested in SEIS in the same tax year
- ◆ An £10,000 investment via SEIS could therefore cost you only £2,200 with tax relief of 50% + CGT exemption of 28% = 78%

Careful planning can maximise the value of these substantial tax breaks, never forgetting to *not let the tax tail wag the commercial dog*". And if you are a new start-up business this could be a good way to raise much needed initial finance.

Keep in touch with us as we get closer to the start date of 6 April 2012 so we can advise how SEIS could have a role to play in your financial world.

CODING OUT TAX UNDERPAYMENTS TO £3,000

If you have tax to pay between £2,000 to £3,000, the latter is the new limit for having the tax collected by reducing your 2012/13 Code Number as an employee, rather than paying it all in one go by 31 January 2012.

We have now been told that the £3,000 limit can apply even though the 2010/11 tax return suggests that £2,000 is still the limit. To take advantage we have to advise HMRC on your behalf by 30 December 2011 and we will make sure we do just that, unless you prefer to pay the tax in one go.

MAXIMISING CGT ENTREPRENEURS' RELIEF

With CGT at only 10% if entrepreneurs' relief is available, and otherwise the tax being at 28%, we are always on the lookout for ways of getting the tax take on a sale at the 10% rate. Any ideas must be watertight and relate to individual circumstances, as otherwise it may be impossible to resist any future HMRC attack on the arrangements.

One such idea is where a shareholder in a trading company is an outside investor who has not been an officer or employee of the company. In that case the gain on disposal of any of the shares does not qualify for entrepreneurs' relief and CGT on the gain is 28% instead of 10%. A possible way round this can be arranged where, for example, each parent owns (say) 40% of the ordinary share capital and meets all of the requirements for CGT entrepreneurs' relief. Their son is not an officer or employee of the company and owns the remaining 20%, so faces a CGT bill on sale of the company of 28% compared with his parents 10% tax bill

The son could make an outright gift of his 20% holding to either parent before the planned sale. The parent will qualify for entrepreneurs' relief on that 20% holding as well as on his/her original shares as he/she has already met all of the requirements. The fact that he/she will not have owned the 20% holding for the normal minimum period of the 12 months to disposal is irrelevant.

The result is that the gain on the 20% holding is taxed at 10%, not 28%. Please ask us for advice if you find yourself in a similar situation.

HMRC TASKFORCES

These are being extended and aim to bring together various HMRC compliance and enforcement teams for what they delightfully call "intensive bursts of activity" targeted at specific sectors and locations where there is evidence of high risk of tax evasion.

Five new taskforces have been announced, with more promised, and if you run a business within any of the following (or you know someone who does) it could be a wise move to talk to us now so we can check that if there is any HMRC compliance activity it will not be a problem:

1. Scrap metal dealers in Scotland.
2. Construction traders who are self-employed or run their own company in the North West and North Wales.
3. Taxpayers not submitting their statutory returns across Corporation Tax, Income tax Self Assessment, PAYE and VAT in the South East.
4. Fast food outlets in Scotland.
5. Landlords with three or more properties in the North West and North Wales.

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