



# Update on pre-budget report tax measures

We have already reported on the surprising changes recently announced by the Chancellor affecting inheritance tax, capital gains tax and non domiciled individuals. At the time of writing no draft legislation has been produced although we understand that the new measures will be effective from 6 April 2008. It is therefore imperative that taxpayers who may be affected should review their tax position before then. However, they might consider whether the following might be appropriate:

- non domiciled individuals should review their financial affairs to see if they can be restructured to take account of the changes. Whatever happens, it is extremely likely that this group of individuals will be paying more tax and they will need to decide which of the options will give the least additional tax burden.
- the inheritance tax changes should not lull people into doing nothing. Taxpayers who already have tax efficient wills have gained nothing from the latest proposals. Yet for everyone there is no substitute for a regular review to minimise inheritance tax.
- business owners stand to lose from the abolition of capital gains tax indexation allowance and business asset taper relief. It seems likely that this may be softened by the reintroduction of a form of retirement relief but no further information is presently available. As soon as any revised proposals are known it will be crucial for business owners to consider what they can do to minimise future capital gains tax liabilities. In the meantime taxpayers in this situation should consider whether it might be helpful to transfer their shares into a family trust to "bank" taper relief. Also, they should consider inter spouse transfers at no tax cost to preserve indexation allowance.

As always, we will be delighted to help and advise where appropriate.



For more information please contact David Nye on 01442 220712 or email [david.nye@hlllp.co.uk](mailto:david.nye@hlllp.co.uk)

# Tax saving ideas for the new year

The current tax year ends on 5 April and now is a great time to take a look at your finances and see whether you are taking advantage of all of the tax saving opportunities that are available to you. This is a very brief outline of some complex tax planning, so you should seek specific advice before deciding on any course of action.



## Capital Gains Tax (CGT)

Every individual is allowed an annual exemption of £9,200 (£18,400 for married couples), if your gains are no more than that, they are free from Capital Gains Tax.

If you have no gains so far this tax year and you wish to realise some of your assets, you may want to consider selling shares or other chargeable assets to utilise the tax-free allowance.

Disposing of poorly performing stock, means the loss could be offset against your gains for the year, which is useful if you have exceeded your annual exemption. If you have no chargeable gains, there may be an opportunity to offset the loss against your income.

Following the announced proposed changes to capital gains tax (see cover article), please seek advice as soon as possible if you are considering selling an asset as it could make a significant difference to the amount of CGT payable whether the transaction falls into the current tax year (2007/08) or the next tax year. You might save a great deal of tax by seeking advice before the transaction becomes contractual.

## Pension Contributions

Consider whether you should be making full use of your contribution limit. Tax relief can be received by almost anyone on contributions of £2,808 net (grossed up to £3,600 within your fund). Those who earn more than £3,600 can contribute 100% of their earnings (less 22% tax relief that will be added to your personal pension plan) up to the maximum annual allowance of £225,000.

## Family Company Dividends

Following the House of Lords decision in the Arctic Systems case, which found in favour of the taxpayers, HMRC have confirmed that they will be introducing legislation in the March 2008 Budget. If your company pays dividends to both

spouses 50/50 where one generates the bulk of the business income, you may want to consider paying dividends before the Budget.

## Inheritance Tax (IHT)

You should make sure you take advantage of the following annual IHT gift exemptions.

- Annual gifts/transfers not exceeding £3,000 (per donor) – totally exempt.
- Small gifts not exceeding £250 per donee.
- Marriage gifts up to; £5,000 by a parent; £2,500 by a grandparent; £2,500 by one partner to the other; and £1,000 by any other person.
- Regular gifts made out of your annual income that do not reduce your income below a level you would normally maintain for your own living costs, are exempt.
- Regular gifts to registered charities are exempt. Don't forget to gift aid them.

For more information please contact your usual Hillier Hopkins contact or email [info@hlllp.co.uk](mailto:info@hlllp.co.uk)





# All change? HMRC enquiries

Since the introduction of Self Assessment (Individuals 1996 and Companies 1999) we have seen a steady stream of enquiry work and, as would be expected, 'aspect' enquiries account by far for the majority of cases we encounter. Put simply, an aspect enquiry is one that is not a 'full' enquiry, and in the main will relate to a limited number of issues, most commonly; repairs and refurbishments, legal fees, debtors, accrued expenses and provisions, not forgetting particularly complex/technical matters.

In addition, on 5 November 2007 the Inland Revenue announced a trial of a new approach to the managing of enquiry work by their officers. The trial will run until sometime in April 2008 and has been named 'Openness and Early Dialogue'. Teams of Investigators in Birmingham, Ipswich, Stoke, Kent, Somerset, South East and North West England and Scotland will be adopting a more open communication strategy very early on in the enquiry process.

Indications from HMRC are that 'openness' means, for the first time since the introduction of Self Assessment, that taxpayers and their agents will be notified whether the enquiry is "full" or "aspect"; and most importantly, why enquiries are being made.

**How will 'Openness and Early Dialogue' work?**

At the start of the enquiry, HMRC will aim to agree a timetable to incorporate: initial meeting, or a telephone call in certain cases; the production of information/documents/records; the records examination (full enquiry); and a discussion of findings.

Trials will include exploring the possibility of some/all of these taking place on the same day.

Our view is that the proposed procedures will assist with the focus of an aspect enquiry, particularly where complex tax issues or commercial transactions are under review.

**HMRC Enquiries set to increase**

In recent years resources have been focused on high-level tax evasion, e.g. Carousel Fraud, and experts in the field believe that we are now set to face a significant increase in enquiries from HMRC following a reallocation of resources.

**So who is most at risk?**

The answer is that even if these proposals become the norm and despite the trial procedures encouraging 'openness', this is not a return to the pre-Self Assessment

regime, where to open an enquiry, there had first to be a reason.

From our experience, cash businesses, particularly Self Employed traders, remain vulnerable, as are those businesses who are making large investments into refurbishing business premises or have undertaken complex tax and/or technical transactions.

**How can you protect yourself?**

The Tax Investigation Scheme can protect you by covering the cost of any professional fees that are incurred as a result of an investigation. We will be sending invitations to join the 2008/2009 scheme shortly.

**If you feel that you may be at risk and would like to discuss joining the scheme, you can speak to your usual Hillier Hopkins contact or call John Barker on 01923 232938.**



## Web Doctor

Does your business need to see the Web Doctor? If you feel your website is not performing as well as it could be, why not give the Web Doctor a call?

**Q: What is Web Doctor?**

**A.** The Web Doctor principle is a simple and effective method that reviews a current website's effectiveness in relation to key business targets. Just like a visit to your local GP, pain points are identified, and symptoms are investigated, followed by suitable treatment for a full recovery. Once the website has been reviewed, it will be modified to work more effectively with the business plan, both now and with future targets and goals in mind.

**Q. Why would my business need to see the Web Doctor?**

**A.** Your website is often the first point of contact a potential client has with your business. If it is out of date, poorly designed, or hard to navigate, you may never hear from this visitor again. The Web Doctor team can help you to avoid these potential issues and create a positive first impression of your business. We aim to ensure that your website is in harmony with your business and marketing plan.



**Q. How would I know if my website was under the weather? What would the symptoms be?**

**A.** The most common "symptoms" of an underperforming website are:

- Unknown or low numbers of visitors.
- Out-of-date content.
- The Site is not generating new business.
- Low search engine ranking.

**Q. How do I set up a Web Doctor appointment and how long will it last?**

**A.** A simple call to one of the Web Doctor team is all you need to make. A meeting can be set up after the initial telephone conversation to discuss your web

requirements and how they fit into your business and marketing strategies. The process is painless and even if the project is not initiated, you still receive a valuable and constructive web audit free of charge.

Blue Touch Technologies are offering Hillier Hopkins' clients the opportunity of a FREE Website audit worth £500.

Just email sales@bluetouch-online.co.uk or speak to one of our advisers on 01442 266630.

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