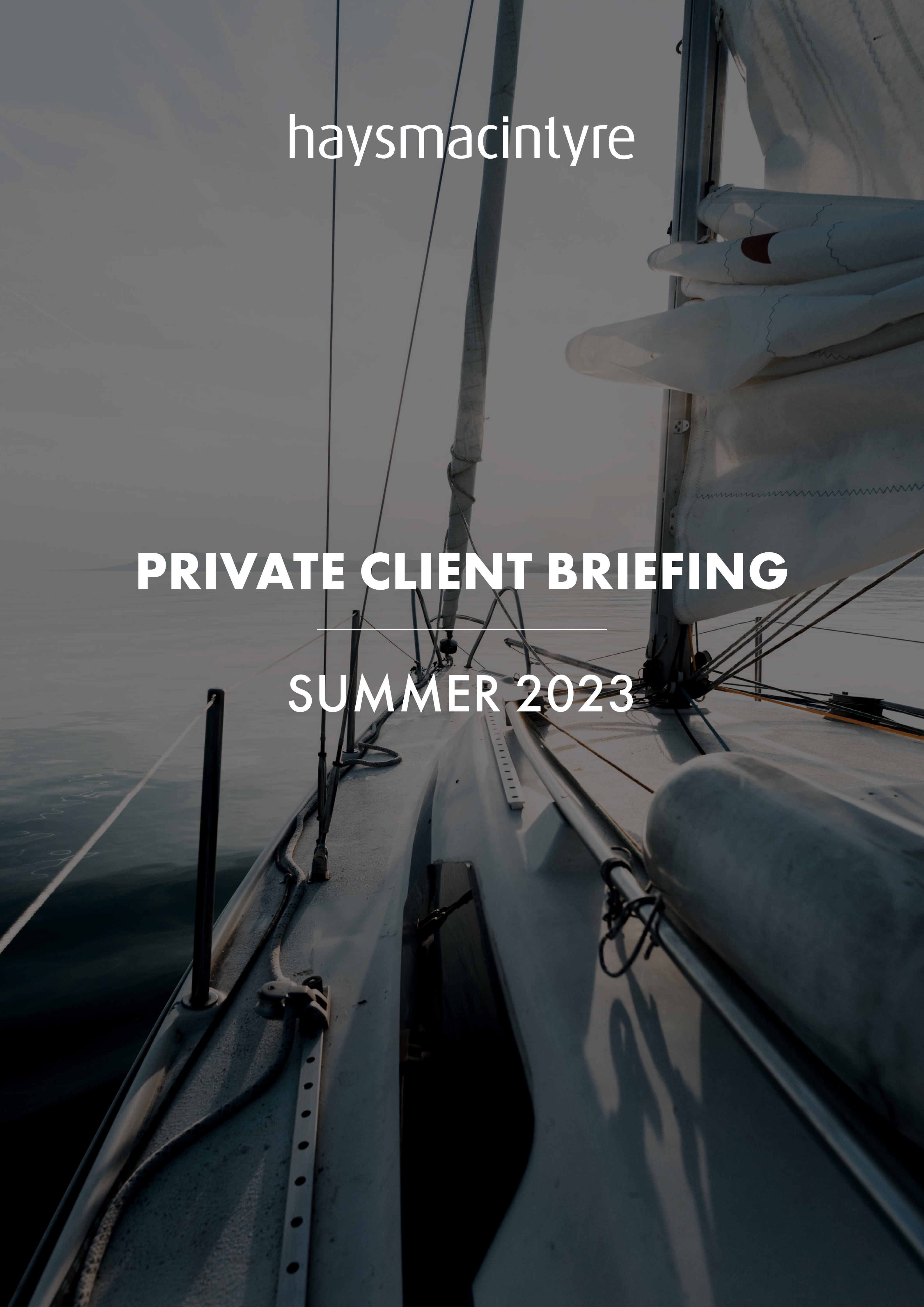

haysmacintyre

PRIVATE CLIENT BRIEFING

SUMMER 2023

Contents

Welcome from the editor

Welcome to the latest edition of our Private Client Briefing, which summarises a number of issues and opportunities for individuals, families and trustees.

The impact of the tax increases and reductions to exemptions and thresholds in the March 2023 Budget is now being felt by many, as are the positive changes to the Pension Annual and Lifetime Allowances.

As the tax rules for buy-to-let property have become less attractive over recent years, we explore how to structure your property investment, and the reporting requirements on sale, together with other key reminders.

Please do not hesitate to contact me or any of the Team, if we can assist you in any way.

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Pensions

After some relatively quiet years in pension tax, the Chancellor, Jeremy Hunt, announced some significant changes in his March 2023 Budget. The Annual Allowance, Lifetime Allowance (LTA) and the tax-free lump sum are all subject to reform.

With effect from 6 April 2023, the Annual Allowance increased to £60,000. Tapering still applies to high earners, with the income threshold now starting at £260,000 rather than £240,000. The minimum tapered annual allowance increased to £10,000 from April 2023.

The money purchase annual allowance, for those who have already taken benefits from their pension, is also increased from £4,000 to £10,000. Any unused allowance can still be carried forward from the previous three tax years.

The lifetime allowance was removed from 6 April 2023 and will be abolished completely in future legislation. The changes applied from the beginning of the new tax year, on 6 April 2023. Unfortunately, those who have previously incurred a lifetime allowance charge will still be liable to pay the tax.

The pension commencement lump sum, commonly known as the 25% tax-free lump sum, is now subject to a maximum cap of £268,275 and will be frozen at that limit. This means that even if your pension exceeds the Lifetime Allowance, you can still only draw £268,275 tax-free (not 25% of the fund).

HMRC has published guidance regarding how to safeguard Pension Lifetime Allowance protection. Care should be taken as the rules differ depending on the date the LTA protection application was received by HMRC.

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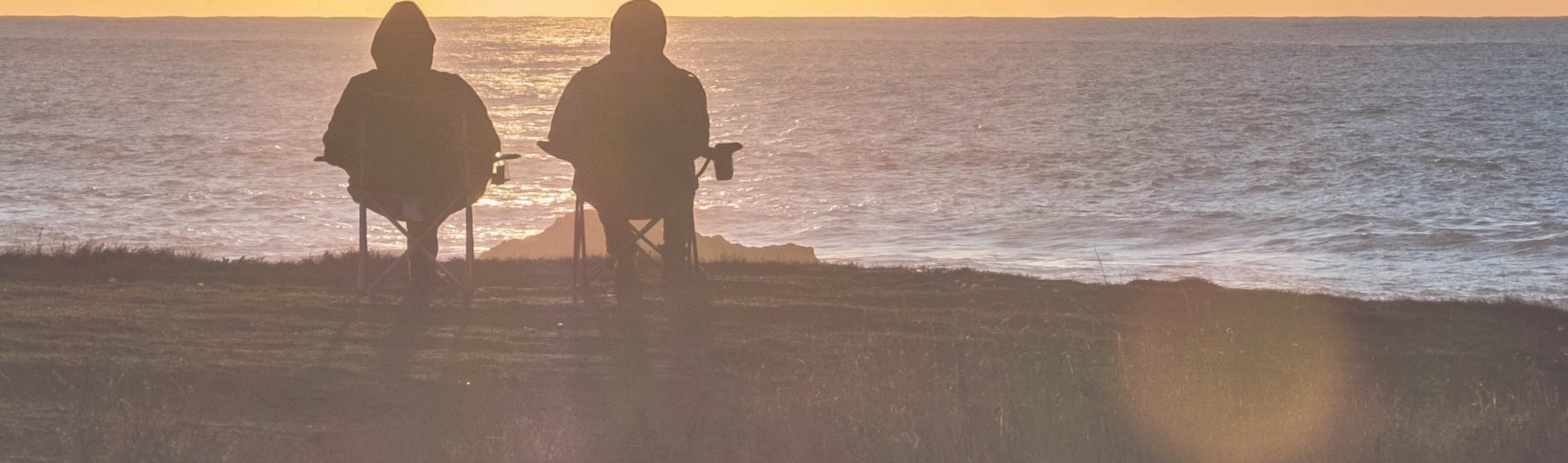

Tax basis period reform

From the 2024/25 tax year, all self-employed and partnership profits, subject to Income Tax, will be assessed on the profits arising in the tax year, irrelevant of when their accounts are drawn up.

Currently, businesses are taxed on the 'current year basis' meaning taxable profits for a tax year are based on the accounting period ending in a tax year. For example, accounting profits to 31 December 2022 are taxed in the tax year 6 April 2022 to 5 April 2023.

With the upcoming changes, tax will instead be payable based on the profits of the tax year; with a 31 December year end, for the tax year 6 April 2024 to 5 April 2025, the apportionment would allocate 9/12 of the year to 31 December 2024 and the remaining 3/12 of the year to 31 December 2025. Unless the accounting period end is 31 March/5 April, this will mean that two years accounting profits will need to be apportioned for tax purposes. This may mean that estimates are required for the tax return, as figures for the latter of the two years will likely not be available when the tax return is submitted and revised tax returns will be submitted once the numbers have been finalised.

To mitigate the level of administration, it will make sense for a number of businesses to change their accounting year end to 31 March/5 April, so that it aligns with the tax year, therefore removing the need to apportion different accounting period and file provisional figures.

Transition

The 2023/24 tax year is a transition year, and for unincorporated businesses which do not have a 31 March/5 April accounting date, more months of taxable profit will be taxed in this year.

Following the same example, a 31 December accounting date will lead to 15 months of profits being taxable in 2023/24: the 12 months to 31 December 2023 and the three months from 1 January 2024 to 31 March/5 April 2024.

Overlap relief may apply, but in many cases, there will be increased tax liabilities for 2023/24. Any excess profits arising during the transition year will be treated as a one-off separate item of taxable income, rather than as part of a business' normal trading income.

The 'excess' transition profit may be spread over up to five future years:

- 20% of the transition profits can be treated as arising and charged to tax in each tax year for four years, starting with the tax year 2023/24
- The balance will be treated as arising and charged to tax in the fifth tax year

If the trade ceases before all the transition profits have been charged to tax, the balance is to be treated as arising and charged to tax in the tax year of cessation.

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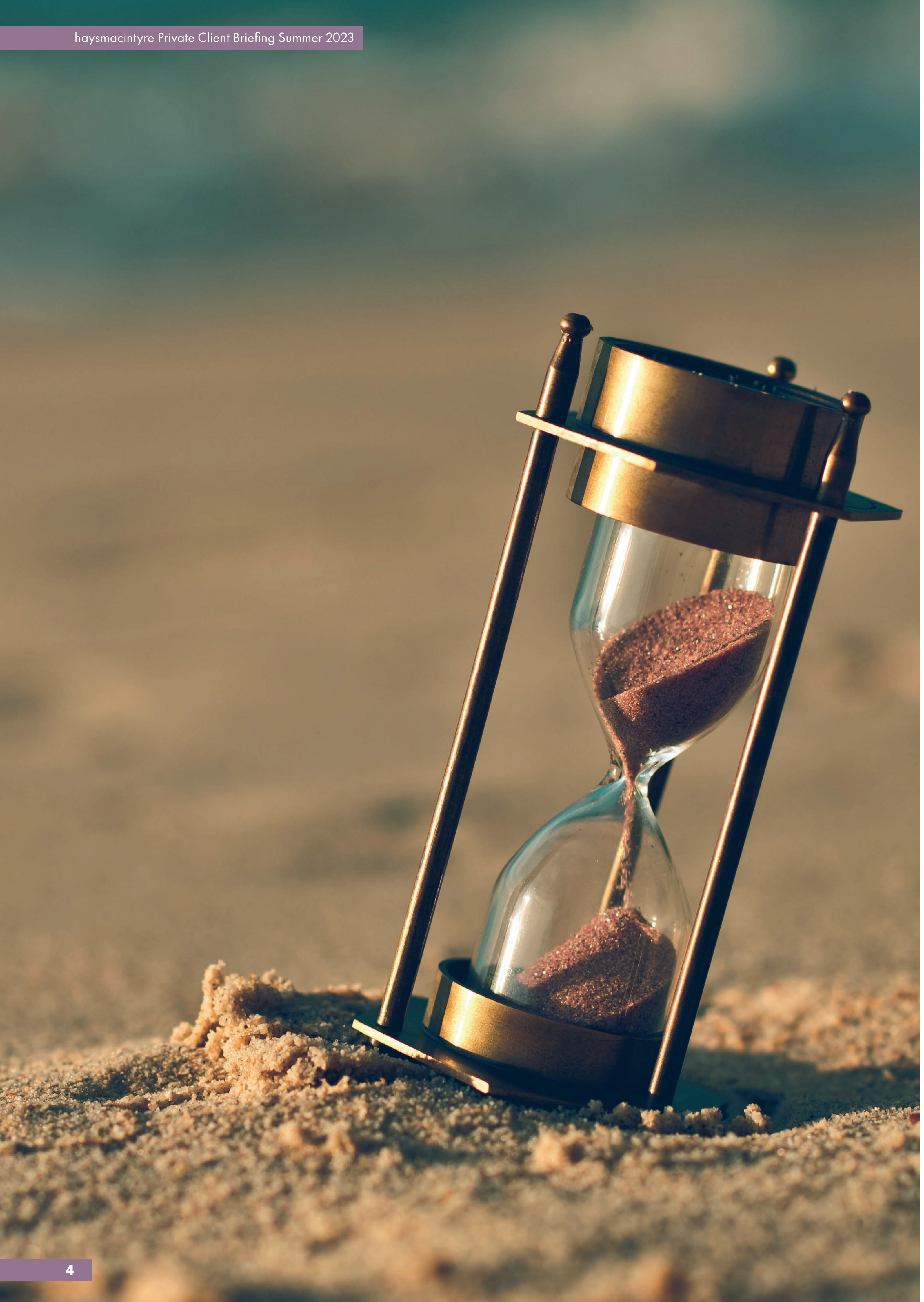

Extension to deadline to make voluntary National Insurance contributions

The Government has extended the 5 April 2023 deadline for making voluntary contributions to fill National Insurance (NI) contributions gaps going back to 6 April 2006. The extension will now end on 31 July 2023.

A person is required to have 35 qualifying years of NI contributions, in order to qualify for the maximum State Pension. Alternatively, contributions of at least 10 years will qualify for part payment of the new State Pension. It is therefore important to check your NI records and the number of qualifying years, particularly if you intend to claim part or the full State Pension entitlement, or any other benefits.

There are several ways to check your NI records:

- Via your Personal Tax account – log in here
- Complete an online form (UK residents only) – click here
- Complete a form to be submitted by post (non-UK residents) – click here
- By phone (UK residents) – 0300 200 3500
- By phone (non-UK residents) – +44 191 203 7010

If you do not have sufficient qualifying years, you will be informed of the voluntary contributions required to ensure you are entitled to the full State Pension.

Voluntary contributions to cover historic gaps from 6 April 2006 are paid at the rate of £15.85 weekly (£824.20 p.a.). The total amount due to cover the gap must be paid by 31 July 2023.

From 6 April 2023, it will be possible to make additional contributions (covering the last six years only), but this will be at the current weekly rate of £17.45 (£907.40 p.a.).

Finally, if you do not have a Personal Tax account, it is possible to obtain a 'forecast' from the Department for Work and Pensions to determine your expected State Pension entitlement (click here) The full state pension rate is currently £203.85 weekly, therefore depending on the difference between the full rate and the pension forecast, this may help determine whether it is indeed viable to make any additional voluntary contributions.

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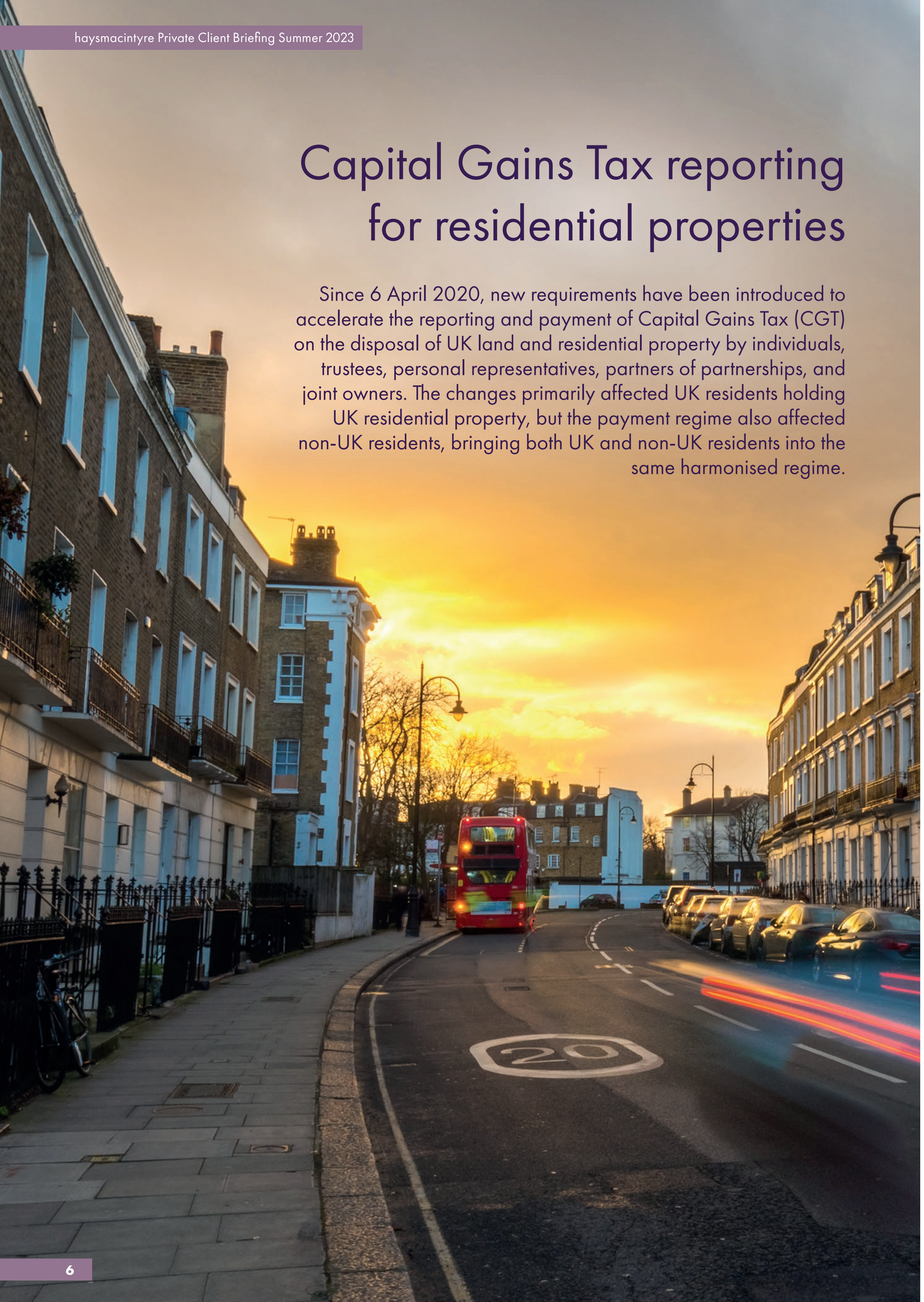

Capital Gains Tax reporting for residential properties

Since 6 April 2020, new requirements have been introduced to accelerate the reporting and payment of Capital Gains Tax (CGT) on the disposal of UK land and residential property by individuals, trustees, personal representatives, partners of partnerships, and joint owners. The changes primarily affected UK residents holding UK residential property, but the payment regime also affected non-UK residents, bringing both UK and non-UK residents into the same harmonised regime.

UK residents

If you are a UK resident and dispose of UK land and property, you must calculate, report, and pay CGT to HMRC on a separate return within 60 days following the completion of the property sale. Initially, the period was 30 days (completion dates between 6 April 2020 and 26 October 2021), but in the 2021 Autumn Budget, this period was increased to 60 days for completion dates on or after 27 October 2021.

It is important to note capital gains can also arise on the gift or sale at undervalue of a property, which also needs to be reported within the 60-day time scale.

The requirement to file applies to UK residents, even if you intend to file a Self Assessment (SA) tax return for that year. However, you do not have to complete the capital gains return if you sell the property you live in, provided you have lived in it throughout your period of ownership, as this gain is likely to be covered by the Principal Private Residence Relief. You also do not have to file a CGT return if no CGT is payable.

Non-UK residents

The reporting requirements for non-UK residents have been in place longer than for UK residents.

For the disposal of UK land and property between 6 April 2015 and 5 April 2020, non-UK residents were subject to a 30-day CGT reporting and payment regime (non-resident Capital Gains Tax - NRCGT). If you dispose of UK residential property or land after 6 April 2020, you must report the gain within 60 days and pay the CGT liability within the same time frame. The reporting requirement is irrespective if CGT is due or if you have made a loss.

How to report

UK residents are required to set up a Capital Gains UK property account to file a CGT return, which is made using an HMRC digital service. It is a standalone service, not within the Personal Tax Account, and it does not use Self-Assessment accounts or references.

The return is made online using your Government Gateway ID, if you have one. If you do not have an ID, you must create one when you sign in.

Non-UK residents now fall within the same reporting regime. The reporting requirements extend to all direct and indirect disposals of UK residential and non-residential property and land, including property-rich companies.

Agents can submit returns on behalf of clients. However, you must set up the CGT UK property account regardless of whether you report the gain or appoint an agent. Once the account is set up, you can authorise an agent to report the gain. Following successful filing, the agent and client will receive a confirmation email from HMRC with a payment reference used to pay the CGT liability.

Penalties & interest

Late filing penalties may be charged (up to £700 or 5% of the tax due, whichever is greater) as well as interest on any unpaid tax. These apply to both UK and non-UK residents.

CGT rates and Annual Exempt Amount

The CGT rates for residential property are 18% for the basic rate taxpayer and 28% for the higher and additional rate taxpayer.

The tax-free capital gains Annual Exempt Amount (AEA) for the 2023/24 tax year has decreased by more than 50% from its 2022/23 threshold of £12,300 to £6,000. For the 2024/25 tax year, this allowance is further reduced to £3,000.

Considerations

The rules on CGT can be complex and dealing with HMRC can be a challenging experience. A tax computation must be prepared to calculate the estimated tax due, and the CGT return can be amended for inaccuracies or details finalised after the filing deadline.

Further tax planning opportunities may be available to mitigate or defer a CGT liability. It is essential to consider these before a sale or gift of UK residential property or land is made.

If you are planning on selling or gifting residential property and would like our assistance with the CGT reporting requirement under the 60-day rules or advice on how you might mitigate your liability please get in touch with your usual haysmacintyre contact within the Private Client and Trust team.

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Structuring a Buy-to-Let property business

Despite an increase in the cost of borrowing, the number of buy-to-let (BTL) mortgages approved in the UK has risen steadily since 2021, and this growth is forecast to continue steadily through to 2032, according to the FCA.

Whilst most landlords simply choose to register BTL properties in their own name, consideration should be given to the benefits arising from utilising a Special Purpose Vehicle (SPV), such as a limited company, to hold these rental properties.

How your rental income will be taxed

Where an individual is in receipt of rental profits, they are charged immediately to Income Tax at their marginal tax rate of either 20%, 40%, or 45%. Companies are charged to Corporation Tax which, for accounting periods starting after 1 April 2023, will see their profits taxed between 19-25%, depending on the level of overall profits.

However, the main benefit arises from the ability to withdraw funds from your limited company more efficiently. Combining a small salary with dividend distributions (which are taxed at rates as low as 8.75%) is a proven method to achieve an overall lower effective rate of tax. Additionally, you will have autonomy over the timing of your remuneration, allowing you to plan a more efficient strategy.

This point has become more pertinent following Chancellor Jeremy Hunt's 2023 Spring Budget, which saw the reduction of the additional rate threshold for Income Tax, from £150,000 to £125,140.

Moreover, if you loan your company funds to get it off the ground, such as funding a mortgage deposit on the company's first property, these funds can be extracted from the company without being charged to tax.

However, whilst individuals benefit from the personal allowance (£12,570 for the 2023/24 tax year), companies have no such allowance.

Mortgage interest and finance costs

Existing landlords will be aware of legislative changes, referred to as Section 24, implemented in 2017/18, that saw relief for finance costs, such as mortgage interest gradually restricted. As such, individual landlords can now only obtain basic rate tax relief (a saving equivalent to 20% of the mortgage interest incurred.)

Limited companies do not suffer such a restriction, meaning that all finance costs (such as mortgage interest) can be deducted from rental profits in full.

Selling your property

Individuals who realise a profit when disposing of UK residential property, that is not their main residence, are subject to CGT on this profit, at the rate of either 18% or 28%, depending on the seller's other income/gains in the year of disposal.

Companies, meanwhile, are subject to Corporation Tax at the same rate of tax as their other trading/rental profits (19-25%).

Points to consider

Despite the advantages of using a limited company to hold and manage BTL properties, there are a number of requirements to be considered carefully:

- You will now be required to file a Company Tax Return for your new limited company, as well as your personal tax return.
- Forming and managing a limited company will give rise to accounting and company secretarial costs.
- BTL mortgage products, applied for through your limited company, often demand higher interest rates. This is due to the heightened risk profile from the lender's perspective of lending to a fledgling company with a limited trading history.
- Transferring an existing BTL property into your limited company can trigger exposure to both CGT and Stamp Duty Land Tax (SDLT).
- Annual Tax on Enveloped Dwellings (ATED) relief declarations will be required each year, for all properties with a value of £500,000 or more.
- A company purchase of residential property may be subject to the additional rate of SDLT.

There is no 'one-size-fits-all' approach to tax planning and each individual's circumstances will need to be carefully considered to determine the most beneficial approach. If you would like to explore this topic in more detail, please get in touch.

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Stamp Duty Land Tax and buying a UK home: the impact of a 'usufruct'

Stamp Duty advice used to be limited to conveyancing solicitors but, since the introduction of Stamp Duty Land Tax (SDLT) and its ever-increasing complexity, as well as the risks to the conveyancer of getting it wrong, it has required specialists across both the legal and accounting profession to take a much closer look.

An unpredictable area relates to 'usufructs', which are a commonly used concept in Civil Law jurisdictions (primarily in Europe) for families in relation to real estate. Most commonly, parents give their property to their children (the 'bare owner') but retain the right to use/enjoy the property for the rest of their life (the 'usufructuary').

An issue arises when the 'bare owner' looks to buy a UK home. On the face of it, the Higher Rate of SDLT (3%) must also be paid because of the child's interest in their parents' home. Due to the risks faced by the conveyancing solicitors, the default position is to complete the SDLT return, showing the Higher Rate being due. However, it is possible to conclude that the 'usufructuary' is in fact the owner of the other property (for the purposes of this part of the SDLT rules) so the Higher Rate does not in fact apply to the 'bare owner' on their UK home purchase.

The savings can be material at £30,000 per £1m purchase price.

We have advised a number of clients on this specialist area and if you believe that this is applicable to you, please contact Duncan Cleary or James Walker.

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Annual Tax on Enveloped Dwellings – property revaluation required at 1 April 2022

The Annual Tax on Enveloped Dwellings (ATED) applies to companies which hold UK residential property with a value of £500,000 or more. There are fixed revaluation dates, every five years: the last was on 1 April 2022.

A valuation, on an open-market willing buyer, willing seller basis, must be determined for all relevant properties at 1 April 2022. The April 2022 revaluation is to be utilised for the ATED returns and relief declarations for the chargeable period, from 1 April 2023 to 31 March 2024, which were due for submission by 30 April 2023, and future years.

If you haven't already had your property valued, we can recommend valuers who can provide this service for you; please let us know If you would like us to put you in touch with one.

With recent increases to house prices in many areas, it is likely that a number of residential properties may fall into the ATED regime for the first time, if they are now valued at £500,000 or more, and that other properties will fall into a higher ATED band and be subject to a greater ATED charge.

A reminder too that a Relief Declaration must be submitted each year, even if no ATED charge is due, i.e., if the property is let or being developed.

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Charitable donations

An often-overlooked subject in relation to tax is the relief available on qualifying charitable Gift Aid donations. Gift Aid payments are made net of 20% basic rate tax. If you wish for a charity to receive a total of £1,000, a physical payment of £800 is required. The charity will then claim back the £200 from HMRC. For basic rate taxpayers, no further adjustment is required, however for higher and additional rate taxpayers, an adjustment is required via the tax return. The tax relief is obtained via the extension of the basic rate band, by the gross charitable donation made, meaning more income is subject to tax at the lower rates.

Any charitable donations made in the current tax year prior to the submission of your tax return can also be carried back to the previous year to accelerate any tax relief. This can be particularly beneficial as there is an interaction between Gift Aid payments and the calculation of your Personal Allowance (your personal allowance tapers by £1 for every £2 you earn over £100,000). For example, an individual with a gross income of £101,000 could make a £800 (net) charitable donation and carry this back. This would mean that they have a reinstated Personal Allowance and have reduced their tax liability by £400. The net cost to the taxpayer would be £400 (£800 cost less £400 saving), however, the charity would benefit from the £1,000 donation (£800 paid plus £200 from HMRC).

In addition to Gift Aid donations, individuals can give shares in quoted companies on a recognised stock exchange to a charity. The gross value of the shares, on the date of the gift, is treated as a deductible payment for Income Tax purposes. No further adjustments are required to the tax computation, or the tax rate bands as above. A gift of shares worth £800 would result in an Income Tax saving of £480, meaning a net cost of £320 to the individual. Please note, in this case the charity would not receive the additional £200 as no 'Gift Aid' can be claimed from HMRC on an outright gift. This can be especially useful if you have an asset which, if disposed of on an open market, would result in a CGT liability. When making a transfer of assets to a charity, it is not a taxable event for CGT purposes, increasing any further tax savings.

Budget 2023 included an update to the tax relief on EEA/ EU charitable donations. Previously, donations to charities located in the EEA/ EU would qualify for Gift Aid, following the principles explained above. However, to obtain tax relief on donations made after 15 March 2023 (subject to a very few charities which have asserted their UK charitable status), it will be restricted to **UK charities only**. This change is not just relevant for Income Tax purposes but could also affect your Inheritance Tax (IHT) exposure. If you have any specific donations in your will to overseas charities, please contact your current advisor to ensure that the charity (or charities) will qualify for IHT relief under the new definition.

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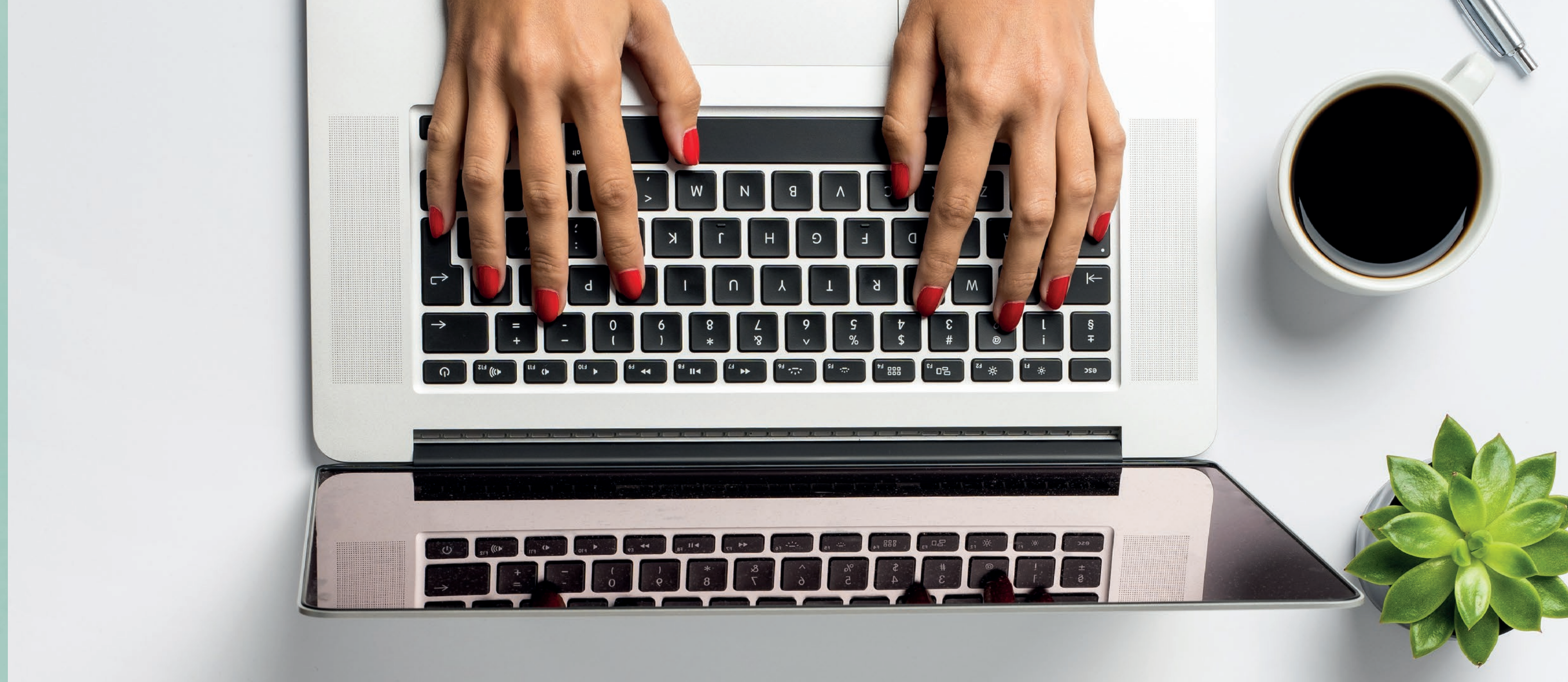

Estate planning

It's never too early to plan for what happens to your estate after your death. Many people put off such morbid thoughts, but leaving no instructions for your spouse and family on how to deal with your assets after you are gone can put added stress on an already difficult situation.

We have set out some key points to consider when planning your estate:

1. Have you written a will?
2. Who will carry out your instructions?
3. Do you want a funeral, cremation or memorial service?
4. Who will look after your children (or your pets)?
5. Are you aware that there is no such thing as a common law spouse for Inheritance Tax purposes?
6. Marriage invalidates a will, but what about divorce?
7. Are you regularly reviewing your will for any changes?

The best way to make sure your assets end up where you want them, is to write a will. While it is possible to write one yourself (and arrange for two independent people to witness your signature), we would always recommend using a solicitor, to ensure it is legally valid, and achieves your wishes.

Your executors are responsible for collecting your assets, paying your debts, and distributing your estate to your beneficiaries. Choose people who you trust will carry out your instructions. One of their first acts is to arrange your funeral or cremation, so including your wishes in your will is very important.

If you have young children, and both you and your spouse pass away at the same time, you should include instructions in your will for who will act as their guardian. The same could apply to any beloved pets.

Passing away without a will is called dying 'intestate'. The law provides for the distribution of assets, with strict rules on who gets how much. Remember, there is no such thing as a common law spouse for inheritance rules, so an unmarried partner may not receive anything if you die without leaving a will. It is therefore arguably more important for unmarried couples to write a will.

Once you have written your will, it is important to review it regularly to make sure it is still appropriate to your circumstances. Your will becomes invalid if you subsequently get married – this is therefore a good opportunity to review your plans. Getting divorced does not invalidate a will, but the divorced spouse is removed from benefitting from the will and from their position as an executor, if appropriate.

If you would like to us to review your will or to discuss any aspect of planning your estate, please contact Mark Pattenden.

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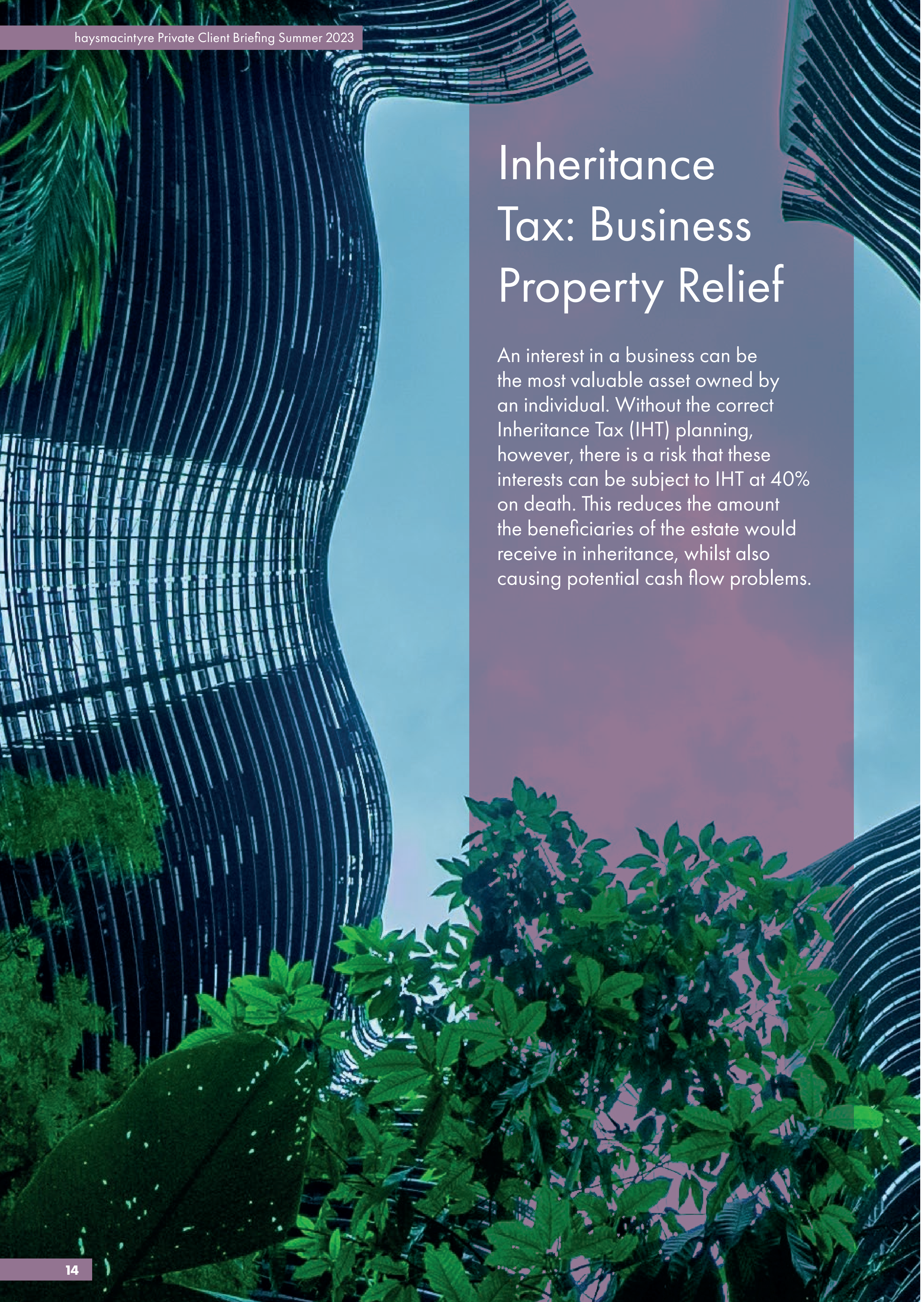

Inheritance Tax: Business Property Relief

An interest in a business can be the most valuable asset owned by an individual. Without the correct Inheritance Tax (IHT) planning, however, there is a risk that these interests can be subject to IHT at 40% on death. This reduces the amount the beneficiaries of the estate would receive in inheritance, whilst also causing potential cash flow problems.

A relief, known as Business Property Relief (BPR), reduces the value of the 'relevant business property' in the case of an IHT chargeable event, such as death, or the lifetime transfer of assets to a trust. Relevant business property includes:

1. A sole trade business or a partnership share
2. Shares in an unlisted trading company
3. Shares in a quoted trading company where the owner has voting control of more than 50%
4. Land, buildings, or plant and machinery owned by an individual and used by a partnership or company the individual controls.

The rate of relief that will be given is 100% for assets within classes 1 and 2 above, whereas assets within classes 3 and 4 will receive relief at 50%. Shares on the Alternative Investment Market (AIM) are treated as unlisted shares for BPR purposes, and relief is therefore available at 100%.

What makes the relief so beneficial is that there is no monetary limit. Whilst BPR can be a hugely valuable relief for business owners, it can also be very easy to trip up on, due to the conditions that need to be met to qualify for the relief.

The individual must have owned the asset for at least two years at the point of the chargeable event and it must not be subject to a binding contract for sale. BPR will be restricted if the company holds 'excepted assets'. Excepted assets are assets that are neither used for business purposes, in the two years preceding the transfer, nor required for future use in the business. An example of this would be large cash deposits which are not required for future use in the trade.

BPR will not be available if the business activity consists wholly or mainly of dealing in securities, stocks or shares, land or buildings, or making or holding investments. HMRC will look at all aspects of the business to determine if it is trading or investment, such as its main activities, the assets and the sources of income. It is therefore critical for a business owner to ensure that the activities of the business comply with the conditions for relief.

HMRC will generally class 'land-based' businesses as investment businesses. One exception is property development businesses. The activity of dealing in land is not currently treated as relevant business property. However, a property development business constructing houses or other properties for resale should qualify for BPR.

BPR is also effective when settling relevant business property into a trust. The transfer into a trust will benefit from 100% relief (unless it is shares in a quoted trading company which carries 50% relief) and there would be no IHT charge on the way in. Similarly, the relief applies on distributions of business assets from the trust to beneficiaries once they have been held in the trust for at least two years. What makes transferring relevant business property into a trust more tax efficient, is that the donor can elect to claim gift holdover relief, which prevents the donor from suffering an immediate CGT charge on the deemed disposal of shares. The trust inherits the donor's book cost of the shares and is then chargeable to CGT, when the trust eventually disposes of the assets. Settling business interests in a trust can be helpful with estate planning to pass on the benefit of the assets without relinquishing control.

There are many IHT planning opportunities available which involve business interests, and the potential benefits should not be overlooked. Please get in contact with your usual haysmacintyre contact for more information on how we can help.

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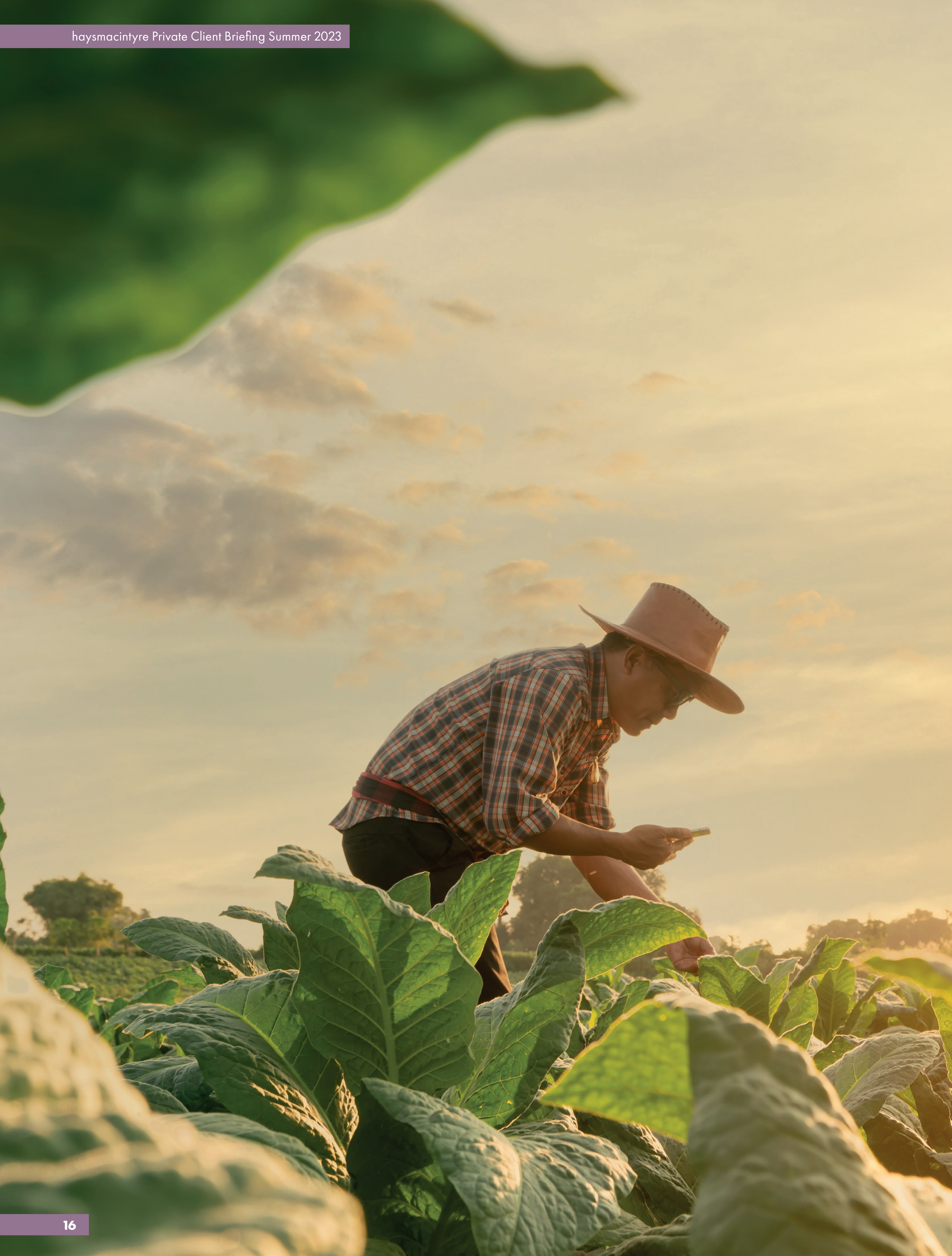

Environmental Land Management and Inheritance Tax relief

The Government is in the process of undertaking significant reforms in agricultural policy, as it moves from the EU Common Agricultural Policy to the Environmental Land Management (ELM) schemes.

Under the new ELM schemes, farmers and landowners are rewarded for farming in a sustainable way, under the Sustainable Farming Incentive (SFI). They can also be paid to support local nature recovery and the restoration of habitats, and large-scale tree planting.

Whilst farming land in an environmentally sustainable way should continue to attract 100% Agricultural Property Relief for IHT purposes, there is a concern that where land is taken out of agricultural production for the recovery of plants, wildlife and habitat protection, the qualifying conditions for claiming Agricultural Property Relief (APR) will not be met. Under current legislation, where land has not been owned and occupied for agricultural purposes immediately before it is transferred, relief is not available. Whilst farmers and landowners may, in certain circumstances, still qualify for Business Property Relief, the inability to claim APR could be a real barrier for farmers and landowners making long term commitments to take land out of agricultural production.

The Government has listened to concerns and has published a consultation document entitled '*Taxation of environmental land management and ecosystem service markets.*' The consultation is a call for evidence on how the tax system can better encourage private investment in ecosystem service markets (production and sale of carbon credits and biodiversity units), and a call for evidence to support a reform of Agricultural Property Relief, to include relief for land managed for environmental purposes under an environmental scheme.

The Government has made it clear that any reforms of Agricultural Property Relief will not benefit from land that did not previously qualify for relief. This could be an issue for farmers who have already diversified away from agricultural land use.

The Government's review is welcome, as there has to date been little guidance from HMRC on the tax implications that the increasing number of environmental schemes can have, for farmers and landowners. In light of the Government's ambition for net zero by 2050, we expect to see the introduction of further sustainability tax measures that encourage farmers and landowners to not only produce the food we need, but also to protect and enhance our natural environment.

If you have any questions regarding Agricultural Property Relief and the potential reforms, please get in touch. The consultation closes shortly, and we will provide further commentary when the Government publishes the results.

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HMRC update – an insight into HMRC's current priorities and strategies

HMRC has significantly increased its compliance activity recently to replenish the coffers following difficult times during the pandemic. Here, we provide our insight into the key areas that HMRC is targeting and their methods of doing so.

Nudge letters

- Fast becoming one of HMRC's most common method of communication, this is where a standard communication is sent to many taxpayers who HMRC believes may have a tax issue to disclose, based on specific information they hold.
- Nudge letters are much more cost effective for HMRC than opening full enquiries, as has traditionally been done. However, we expect HMRC to open enquiries into those who do not respond or make a full disclosure.
- We are seeing these letters being issued for increasingly specific matters, most recently into Research and Development (R&D) claims and Electronic Sales Suppression (ESS) being used in businesses.
- Should you receive a nudge letter, please send a copy to your haysmacintyre contact, as we do not always receive copies of all HMRC communications.

Code of Practice 9 (COP9) fraud enquiries

- COP9 is HMRC's most serious civil investigation type, where HMRC alleges fraud against a taxpayer. We are seeing an increase in such enquiries being opened, as HMRC focuses its compliance resource on those who have made the biggest mistakes.
- COP9 provides immunity from prosecution but only for matters which are fully disclosed, so it is crucial to act quickly, make a full disclosure and adhere to the process.

Time to Pay (TTP) arrangements

Due to the ongoing cost of living crisis, many are finding themselves unable to pay tax bills outright and requiring a TTP arrangement. HMRC may agree to this but, in our experience, they are being much tougher in agreeing payment arrangements lasting more than six months, requiring sight of financial information to determine what may be possible. Approaching HMRC and agreeing a TTP arrangement before a liability becomes due, reduces penalty charges and is favourable in the eyes of HMRC.

Notices of requirement to give security

Applicable to owner-managed businesses, such formal notices can require a business, or its directors, to provide funds as a deposit against current and future tax liabilities. It is usually issued where HMRC has concerns the business may not pay the tax liability and demand significant sums of money from directors personally. We have seen increased use of security notices and have succeeded in assisting clients overturn the demands of these notices by agreeing alternative terms with HMRC.

Settlements and enquiries into investments HMRC now consider to be avoidance schemes

These matters can often run over many years whilst HMRC seeks to defeat schemes in the courts, but with the increases in interest rates recently (HMRC's late payment rate is currently 6.75%), interest charges can add up over the course of an enquiry. Seeking settlement with HMRC is possible, or even making an advance payment of the tax, where possible, to mitigate overall interest charges.

We are seeing HMRC amendments to earlier years' tax returns following the conclusion of long-running enquiries.

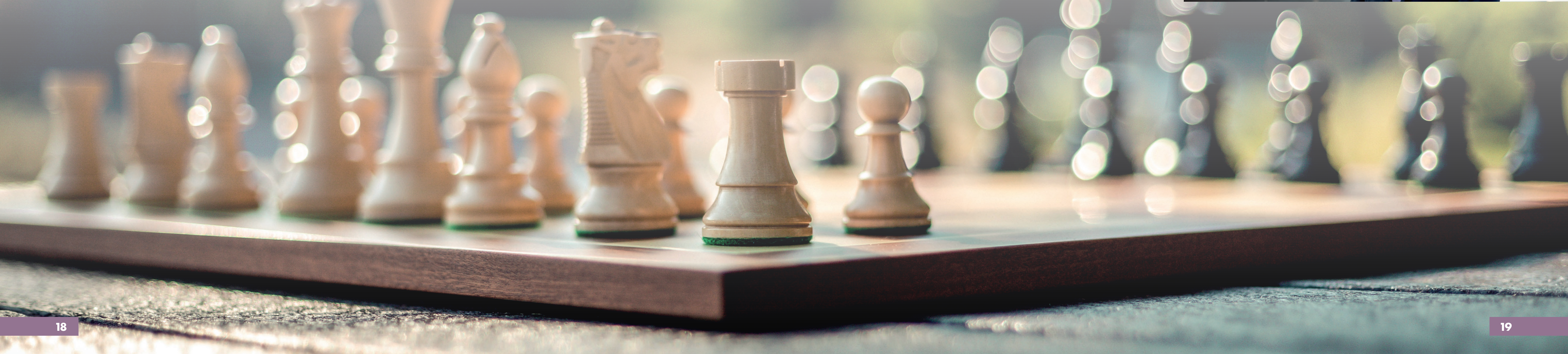
It is vitally important to seek experienced professional advice and thoroughly check HMRC's settlement calculations. We are regularly identifying errors in such calculations, usually in HMRC's favour.

Please also note that payment of an Accelerated Payment Notice (APN) or Partner Payment Notice (PPN) are only advance payments of the tax and do not represent settlement in HMRC's eyes. Such payments do not conclude open enquiries and interest will be payable from the original tax payment due date, until payment was made to HMRC.

Penalties issued by HMRC, including late filing and late payment

We strongly recommend seeking professional advice in relation to any HMRC penalties issued. There is a defined appeal process in relation to HMRC's penalty regimes and it may be that penalties could be appealed, mitigated or, in some cases, suspended.

Our Tax Disputes & Resolutions team have a wealth of experience dealing with all HMRC matters. If you would like to discuss any of the above in more detail, or have an HMRC enquiry, dispute or appeal that we may be able to assist with, please get in touch your usual haysmacintyre contact, Danielle Ford, Partner and Head of Tax Disputes & Resolutions or Riocard Hoye, Senior Manager.



Fee Protection Service

We invite our clients to subscribe to our Fee Protection Service (FPS) for tax enquiries.

We have again partnered with a market-leading provider, Markel Tax, which has an excellent reputation within the accountancy profession, in order for us to offer you the best service available.

HMRC enquiries are better targeted and are being undertaken with an unprecedented level of detail and persistence. Last year, HMRC recovered additional revenues of £30.4 billion through compliance activity. Even if you have done nothing wrong, you may still be selected for a detailed review of your tax affairs, which may result in an unnecessarily high tax bill if you are not protected. The cost of defending yourself professionally is potentially huge; enquiries are taking longer, and the defence costs are increasing. Even when the outcome of the enquiry results in no adjustments to your tax position, the cost of the defence can escalate. Whether it is a cross-tax enquiry, a technical challenge or a detailed books and records review, our FPS package is designed to get you the best possible result and is why we strongly recommend it to you.

Our FPS package enables us to defend you in the unfortunate case that you are selected for an enquiry without worrying about the cost of our fees. For an annual charge, you can rest assured that you are protected against the professional costs associated with an HMRC enquiry. Click here to find out more.

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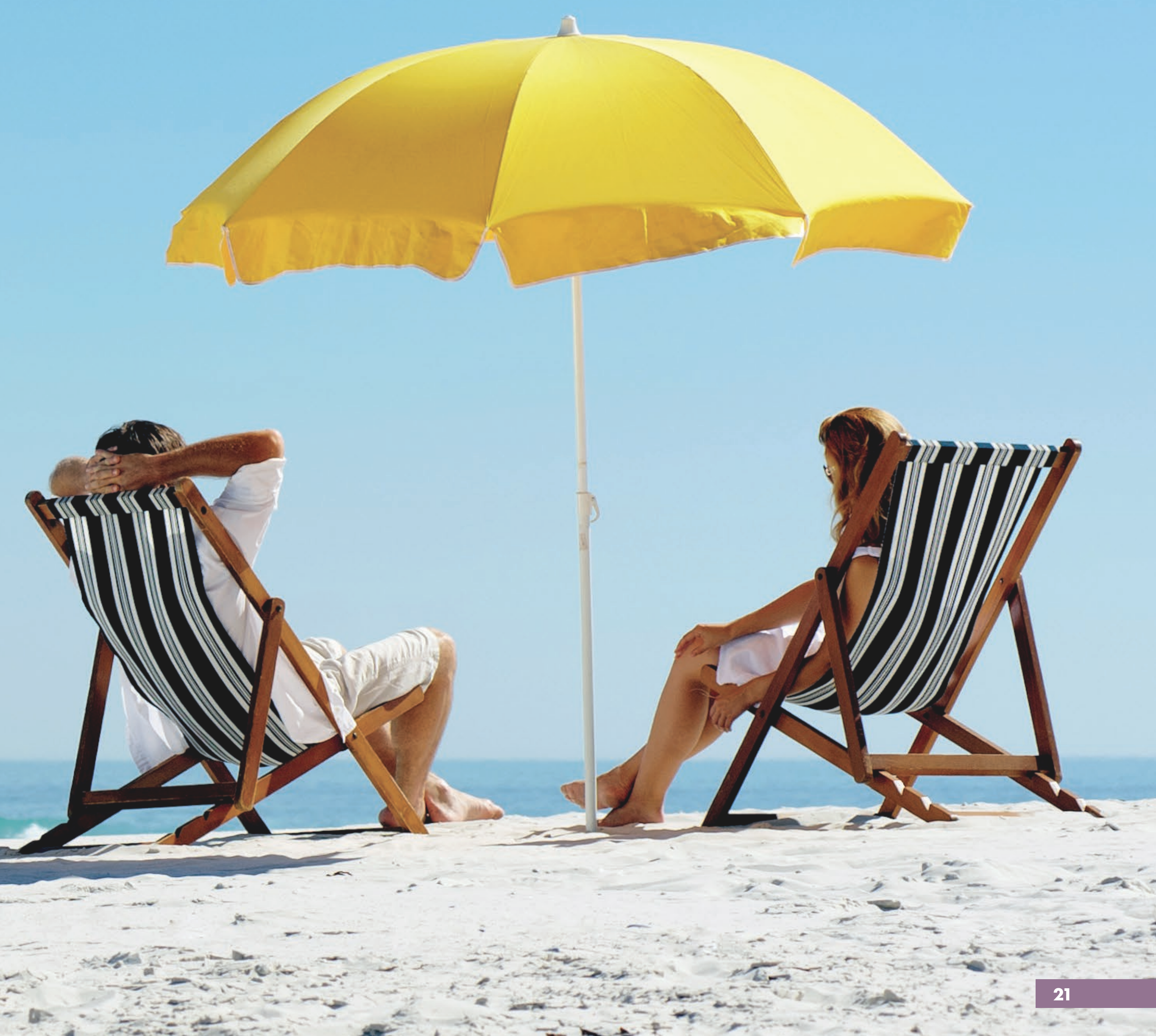

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