



BDO Stoy Hayward

INCOME TAX

A New Penalty System

New legislation imposes a penalty where there is an inaccuracy on a tax return submitted to HMRC on or after 1 April 2009 which leads to an understatement of tax.

Penalties are charged on the potential lost revenue at an increasing rate according to the severity of the behaviour which gave rise to the inaccuracy. If there is evidence that the inaccuracy was deliberate, the rate of penalty rises significantly.

Please contact your BDO tax adviser for further details.

Pensions

When advising of the pension contributions paid during the year, please indicate whether the amounts advised are the net or gross amounts.

If you have taken out a new policy during the year, please confirm the exact date of the first contribution.

Gift Aid

You may be entitled to higher rate relief for payments made under Gift Aid or charitable covenant. These payments are treated as made after basic rate tax has been deducted.

Even if you are not claiming higher rate relief, please let us have details of the payments made. If you have paid less tax than is treated as deducted from the payments, you may have to pay the difference.

If you make any Gift Aid payments in the period from 6 April 2009 to the date we submit your tax return, we can elect to carry back those payments as though they were made in the year ended 5 April 2009. Please let us know if you would like us to do this.

You can also claim relief for gifts of qualifying investments to charity, namely certain shares and securities or land and property.

Venture Capital Trusts (VCT) & Enterprise Investment Schemes (EIS)

If you have subscribed for shares in VCT's you may be entitled to claim tax relief on the subscriptions up to a maximum of £200,000. The amount of the relief is 30% of the amount you have subscribed, or the amount required to reduce your tax bill to nil.

If you have invested in an EIS you may be able to claim income tax relief up to a maximum of £500,000, provided you have received a form EIS3. The amount of the relief is 20% of the amount invested or the amount required to reduce your tax bill to nil. Please also let us have details of any EIS investments that you have made in the period to 6 October 2009, as you may be able to carry back 50% of the amount subscribed.

Income from Trusts and Settlements and/or from the Estates of Deceased Persons

If you received any income in the year from a trust, settlement or the estate of a deceased person, please let us have details, including a copy of any form R185 you may have.

Pre-Owned Assets Tax (POAT)

POAT is an income tax charge which applies where an individual has enjoyed the use of an asset that they once owned or helped someone to buy. The intention of the provisions is to catch inheritance tax schemes, but other perfectly innocent gifts may be caught. The legislation applies to all arrangements entered into after 18 March 1986. If you think that this situation may apply to you, please contact your BDO tax adviser.

The Veltema Tax Case

The Court of Appeal judgement in *Langham v Veltema* underlined HM Revenue & Customs' (HMRC) power to reopen past tax years if they can demonstrate that insufficient information was given on a self assessment tax return. This means that a taxpayer can no longer be absolutely certain that the risk of a Revenue enquiry has disappeared following the closure of the usual 12 month enquiry window.

It is important that you provide us with complete and accurate information so that we may consider what disclosures, if any, should be made on your tax return.

Shadow Directors

If you are "a person in accordance with whose directions or instructions the directors of a company are accustomed to act", you may be treated as a "shadow director" of that company for tax purposes. This means that all benefits received by you from the company will be taxable, even if you are not an actual employee.

These rules bring into charge accommodation and other assets available for the use of "shadow directors". Historically the taxable benefit can include second properties or holiday homes abroad, occupied by UK resident individuals and owned through corporate structures.

Legislation introduced last year removed this charge if certain conditions apply. It is necessary for us to have details of all relevant arrangements to advise correctly. If you think that this situation may apply to you, please contact your BDO tax adviser.

Transfer of Assets Abroad

If you have an interest in a non UK resident trust, company or any other entity, you may be subject to certain UK anti-avoidance provisions on income arising within the entity, as well as UK taxation on either distributions and/or enjoyment of benefits from those entities. Please let us have details of any such interests so that they can be reviewed for potential UK tax liabilities.

Documentation

You are required to retain all documents supporting your tax return entries for at least 22 months after the end of the tax year. For 2008/09 this is 31 January 2011. For self employed individuals, partnerships and property income, this time limit is extended for a further four years to 31 January 2015.