



We are a team of Independent Specialist Tax Advisors who work with:

- Accountants
- Solicitors
- Businesses
- Individuals

Further details can be found on our website:

[www.eavesandco.co.uk](http://www.eavesandco.co.uk)



## Christmas Office Closure

The offices of Eaves and Co will close on 23 December 2010 and will reopen on Tuesday 4 January 2011. In the interim, if there are any urgent matters we will be monitoring emails. Also telephone messages can be left on 07970 696479.

### Christmas Facts:

Henry Cole is credited with Christmas Cards. In 1843 he arranged for the design and printing of one thousand hand-coloured cards which he sold at the high price of 6d - well beyond the reach of most ordinary people. By 1881 the Post Office thought it wise to issue its first "Post early for Christmas" message.

## LDF Disclosure

Eaves & Co are proud to announce that HM Revenue & Customs have agreed our offer for settlement under the LDF for our latest client project under the facility. We are pleased to report that HMRC did not raise any in-depth questions into our client's tax affairs as a result of the LDF disclosure. This is an exceptional result, especially given the complexity of the client's offshore banking and investment affairs.

The LDF allows people with unpaid tax linked to investments or assets in Liechtenstein to settle their tax liability under this special arrangement. There may also be an opportunity for those with undisclosed tax liabilities connected with overseas assets outside of Liechtenstein to transfer assets to Liechtenstein anytime up to 31 March 2015 and take advantage of the favourable terms.

### 2<sup>nd</sup> Joint Declaration

In November 2010 a second declaration was signed by the Liechtenstein and UK governments. There are a number of different legal structures in Liechtenstein through which to invest. The 2<sup>nd</sup> declaration makes it clear as to how each structure should be treated for UK tax purposes.

More Christmas facts: Many retailers make up to 70% of their annual revenue in the month preceding Christmas.

## Changes to Capital Allowances Rules

From the beginning of April 2012, the Annual Investment Allowance (AIA) will be reduced from the current amount of £100,000 to £25,000.

General pool writing down allowances (WDAs) will be reduced from 20% to 18%, whilst the special rate pool will receive WDAs of 8% which is down from 10% currently.

Where accounting periods overlap, the rates and

allowances will be adjusted in proportion accordingly.

The effect of the reduction in allowances means that expenditure will be relieved at a slower rate for tax purposes and could therefore have an impact on cash flow.

The new rules mean it will take an extra 2 years to relieve 90% of the cost of a general pool asset.

Eaves and Co recommend any planned capital spending is reviewed with these changes in mind to ensure that costs are relieved in the most tax efficient way.

We would be happy to provide advice tailored to specific circumstances as the impact is very much dependant on the level of planned expenditure.



### Christmas Facts:

Christmas trees are edible. Many parts of pines, spruces and firs can be eaten. In particular, the needles are a good source of vitamin C.

The colours in Santa Claus' suit, red and white, were the creation of the artist Haddon Sundblom, who was commissioned by the Coca-Cola Company to redesign Santa Claus.

Charles Dickens wrote A Christmas Carol in two months, beginning in October 1843 and finishing at the end of November. The book was published on 17 December 1843 and immediately sold out.

Germany made the first artificial Xmas trees. They were made of goose feathers and dyed green.



## The Changing Landscape of Pension Relief

Tax relief for pension contributions are in a period of flux at the moment, with complex rules for different tax years.

For 2009/10 and 2010/11, a person may receive tax relief on the lower of their pensionable earnings for the tax year, and their gross pension contributions.

However this is subject to the annual limit of £255,000 of contributions (for 2010/11) above which a 40% tax charge is applied to restrict the tax relief.

In addition the anti-forestalling rules may restrict tax relief for those with earnings above £130,000 where they increase the amount of their regular pension contributions.

From 6 April 2011, the annual allowance for all taxpayers will be £50,000, a significant reduction from the previous £255,000 limit!



Where contributions (both employer and employee) exceed the limit, a claw back charge will be applied in the taxpayers self-assessment tax return at their marginal rate of tax.

The key difference between the new rules and the anti-forestalling rules is that relief is not available at the basic rate on contributions in excess of the annual limit.

Furthermore the lifetime limit is being reduced from £1,800,000 to £1,500,000. For those whose pension pots already exceed the new limit, it may be possible to 'protect' their pension fund against the new rules, however professional advice should be sought.

## Share Incentives

EMI share options schemes are a tried and tested manner in which to attract, retain and incentivise key members of staff. The structure allows staff to acquire shares at current market value in the future. Thus the staff can reap the rewards of their hard work when the market value of shares increases for no further cost to them. From a commercial perspective, the employer can specify in the share option agreement certain conditions or time frames that must be met before the shares can be exercised.

For the staff, normally there will be no income tax or NICs at grant and for capital gains tax purposes entrepreneurs relief may be available on an eventual sale of the shares by the employee. Rather than diluting the share capital of the company by issuing new shares to satisfy the options, such schemes may be operated by the existing shareholders disposing of a proportion of their shares in return for cash or loan notes. The disposal will occur at a 10% tax rate if all the conditions for entrepreneurs relief are met.

In light of the decision in the Grogan case, it is important to ensure that such decisions have a commercial background and that specialist tax advice is sought because tax relief may be denied where the main purpose of the transactions is the avoidance of tax. Eaves & Co have a wealth of experience in advising on and establishing tax efficient EMI schemes for a range of clients. Please contact us if you would like further information.