

Newsletter

Autumn 2005

Help Required – Revenue have Clients for [Continental] Breakfast

Practitioners need to beware of significant changes in the use of investigations in the merged Revenue and Customs.

The Revenue anticipates great success for their future investigation programme. Recently, they have made heavy use of their statutory powers and demanded detailed information from third party banks etc, either directly, or in collaboration with overseas Revenue Authorities. Computers are allowing exchanges of data on a huge scale, with confidentiality being effectively overruled by the Exchange of Information provisions, put in as standard in most Double Tax treaties. This provision of raw data, combined with extensive use of computer database research has yielded large volumes of information on undisclosed funds, including foreign bank accounts and assets.

Whilst in the past, such investigations might have been carried out by a specialist unit, within the Revenue, the scale of the new programme is expected to mean many District Investigators now get involved in the process.

Work is also being done on combining investigations on different taxes, especially using PAYE Audit teams to “acquire” information directly. Often, this is material, which the accountant/advisor is totally unaware of - which turns up later to bite! Historically, many clients have seen VAT or PAYE visits as routine and have not taken advice, nor adopted a proactive approach in managing the process. This is unwise, as even squeaky-clean clients can end up with arguments, often where misunderstandings have developed over “unedited” data!

Money-laundering rules and NCIS reports are making the world much more transparent. The results of seeing into previously dark corners are bringing much joy to Revenue Investigators. To a cynical investigator the mere fact something has been kept private can look suspicious. A coherent explanation, made on a timely basis (perhaps as part of a self assessment return) can avoid much time, expense and stress later.

When going through accounts or draft returns it can be useful to discuss potential problem areas with clients, so appropriate action can be taken. Such action also helps in avoiding the risk of allegations on failing to make appropriate enquiries, so that reports can be made on “suspicious transactions”

The new investigation programme is swinging into action now, and an aggressive approach is anticipated, as a former police chief takes over responsibility for the combined H.M. Revenue and Customs prosecution policy. This is likely to increase the advantages to be obtained from early, controlled disclosure and proactive management of the investigation through each stage.



ACTION: Clients need to be warned of the greater likelihood of “private” issues ceasing to be secret, as banks and financial institutions increasingly open their books to the Tax Authorities and co-operate in tracing cash movements.

They should also be aware of the potential advantages of taking early action to pre-empt the adverse impact of an investigation.

REMEMBER we can provide independent back up on difficult investigation issues, whether technical in nature, or involving more serious issues such as omitted gains or fraud.



Eaves & Co., Chartered Accountants, 12 York Place, Leeds, LS1 2DS.

Partners: Paul Eaves, Jonathan Smith, Nick Exley, Paul Davison

Telephone: 0113 203 1502. Facsimile: 0113 203 1501. E-mail: peaves@eavesandco.co.uk

Regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities



Christmas is a coming!



In previous years Inland Revenue officers have been told to take a relaxed view on businesses giving a Christmas gift to their staff. The gift must be trivial in value (probably under £30) and not cash or vouchers.

If your clients would like to give such gifts this Christmas it would be good planning to write to their Inspector to obtain agreement that the gifts should not be recorded on the P11Ds.

Note: Our offices will be closed for holiday from 24 December – 2 January inclusive.

Arctic Systems s660A Update

The Court of Appeal is due to hear the taxpayer's appeal on 29 & 30 November 2005.

The decision may be published in time to provide potentially affected taxpayers with guidance before they complete their 2004-2005 returns and give them chance to amend 2003-2004 if appropriate.

Its that time again...

The Self Assessment deadline looms large again... and so soon! As independent tax advisers we can provide temporary support to help capacity or reviews of complex reporting matters or returns. If you would like to find out more about how Eaves & Co could assist your Firm in the run up please call Paul Davison on 0113 2031515.



Alphabet Shares

The issue of different classes of shares or shares With restricted rights has provided tax-planning opportunities for director owned companies. This has included the provision of dividends to give tax efficient rewards for key staff members and family.



So in the current anti-avoidance regime are we comfortable that the As, Bs & Cs are still an effective strategy? The Employment Related Securities rules were updated by FA 2005. These anti-avoidance rules now give the Revenue wide reaching powers in this area.

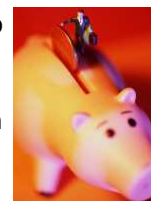
In reviewing schemes implemented without specialist advice it seems not all of the documentation regarding the issue of different share classes is as tight as it might have been.

Arctic Systems (see above) also rears it head. Therefore, especially in light of the Revenue's current attitude to apply legislation in a tougher manner, any Alphabet strategies should be reviewed.

Small Business Rates Relief

Businesses that occupy properties with a rateable value of £10,000 or less can benefit from a rebate of up to 50% of their bill for the 2005/06 year onwards.

Your clients need to apply for the relief, which may or may not have been brought to their attention.



More information can be gained at:-

www.mybusinessrates.gov.uk