


# AUGUST '11 TAX NEWSLETTER

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Welcome to our monthly tax newsletter designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter and remember, we are here to help you so please contact us if you need further information on any of the topics covered.

## LISS

This is not just a pleasant country town in Hampshire – it also stands for Litigation and Settlements Strategy and has just been re-launched by HMRC.

There are mixed messages in this strategy. For example it tries to assure us all that where there is a dispute about the amount of tax due but HMRC accepts they have a weak case, they will concede the matter. On the other hand they say that where they reckon they have a strong case they will push for payment of all of the tax rather than compromise.

LISS is a worthwhile part of the procedures within a tax dispute which we sometimes face with HMRC, and our role will always be to (a) be ready to get HMRC to apply it where it is to your advantage, and (b) resist it if HMRC tries to use it to their advantage in an unfair manner.

## VAT DEFAULTERS

If you know of any trader who should be VAT registered but is not for some reason, please do both them and us a favour by suggesting they meet us for an informal chat. That is not meant to sound ominous – the point is that HMRC have just launched a campaign to target what they reckon is 40,000 businesses whose turnover exceeds the annual VAT threshold of £73,000.

We can help anyone in that position by making a disclosure before HMRC come knocking on their door, and that should mean a substantial reduction in the penalty level normally charged. Unusually in this form of tax amnesty, HMRC have not said what the reduced penalty level is, but we would always fight hard to get this set at the bare minimum to reflect the particular circumstances of the case.

## REMITTANCE BASIS

If you are not domiciled in the UK you will be well aware that basically overseas income and gains are not taxed in the UK if they are not actually remitted to the UK, unless you have been UK tax resident for at least 7 out of the last 9 tax years in which case the income and gains are taxed unless you pay £30,000 per tax year to entitle you to continue on the remittance basis.

We will be pleased to advise you on the new proposed rules coming in from 6 April 2012 as follows:

1. Increase in the annual remittance basis charge from £30,000 to £50,000 if UK resident for at least 12 of the previous 14 years. This would first apply to a non-domiciled individual who came to the UK before 6 April 2001 and has remained resident.
2. The existing £30,000 charge will continue to apply if UK resident for 7 out of the previous 9 years, until the £50,000 charge applies.
3. No tax charged on any foreign income or gains remitted to UK to invest in a qualifying business. This is a potential minefield, but full of opportunities, and needs careful consideration.

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## NEW SINGLE COMPLIANCE PROCESS

There seem to be a never ending stream of initiatives from HMRC relating to how they handle tax enquiries where (rightly or wrongly) they consider that something needs explaining.

The last thing we want to do is worry you unnecessarily, as we will always try to minimise the chances of an enquiry into any aspect of your tax affairs, but we can bring you some comforting news in that HMRC's procedures are being streamlined with the aim of reducing the time an enquiry takes.

Specifically there will now be 4 levels of enquiry under the Single Compliance Process (SCP):

### LEVEL 1

This is where there is no need for a face to face meeting. Maximum time estimated to work the enquiry is 1.5 days.

### LEVEL 2

A simplified and faster route for those cases where a lower intensity face to face intervention is required. 2 days estimated.

### LEVEL 3

Cases requiring a greater amount of time because the depth and breadth of the enquiry is more involved. 4 days estimated.

### LEVEL 4

The most demanding cases such as those indicating tax evasion characteristics or those highly complex in nature. 8 days estimated.

Clearly this is a resource driven initiative, being sold to us on the basis that it will reduce the time, costs and hassle experienced by you and us. We will ensure on your behalf that if you are ever unfortunately selected for an enquiry the adoption of the SCP approach will not see any of the following happen:

1. HMRC unfairly seeks to obtain agreement to additional taxable profits arising, by encouraging you to settle because you want to HMRC to make a speedy exit. We will not allow HMRC to rush things along if we consider that will be detrimental to you.
2. HMRC use SCP but wrongly identify what they consider to be risk areas – perhaps as a result of only a superficial consideration of what they regard as facts but which in reality are nothing of the sort. That may well be derived from a check-list review which we feel shows a basic lack of understanding of how your business operates.
3. HMRC attempts to apply a higher level to the enquiry than we consider is justified.
4. HMRC use the new 4 levels approach to insist on a meeting with you whereas we consider that all can be settled without that.
5. A tax enquiry becomes drawn-out and HMRC seemingly refuses to apply this initiative when it is adopted nationwide (planned to be from January 2012).

