

Think Tax Wire



Tax Wire – June 2007

Welcome to the latest edition of the Cooper Parry Tax Wire a bite sized approach to keep you up to date with developments in taxation.

Kid's Stuff

It has long been a feature of estate planning for wealthy individuals to transfer the beneficial ownership of assets to minor children. This is achieved by the issue of a "bare trust".

Following the major changes to trust taxation in the 2006 Finance Act, HMRC took the view that every gift made to a minor in this way was a chargeable lifetime transfer and inheritance tax at lifetime rates could become payable.

HMRC have now back-tracked on this and in a letter to the professional bodies accepting that a lifetime gift on trust for a minor absolutely is a potentially exempt transfer. If you or your clients need assistance with inheritance tax or will planning, our specialists would be pleased to help.

VAT – New reverse charge accounting rules

After much debate in Europe, measures will be introduced from 1 June 2007 to counter the much publicised Missing Trader Intra-Community fraud and carousel fraud. Fortunately the potential burden on legitimate UK businesses of the new procedures will be minimal.

The perpetrators of the frauds have tended to deal in small high value electrical goods such as mobile phones, computer chips and microprocessors. The new rules will only apply to transactions over £5000 between businesses in these types of goods. Since the 1 June a VAT reverse charge procedure has been introduced whereby the purchaser (rather than the supplier) has become responsible for accounting for the VAT on specified goods.

Proposed extension of Research and Development Relief

The 2007 budget included proposals to increase the availability and value of relief for companies' qualifying research and development expenditure.

At present small or medium sized enterprises are able to claim enhanced relief of 150% of qualifying R&D expenditure and large enterprises can claim 125%. The 2007 Budget proposals are to increase the reliefs to 175% and 130% respectively. In addition the Government intends to increase the number of companies which qualify as small or medium sized enterprises for this purpose to include companies with up to 500 employees, turnover of up to €100m or assets of up to €86m.

The proposal is subject to approval by the European Commission, but the changes should pave the way for many more claims for this generous tax break. Did you know that even companies making a loss can claim an R&D tax credit and receive a payment from HMRC? This can provide valuable cash flow advantages to companies who are typically in the initial stages of research and development and have yet to convert their hard work into sales.

Tax relief for employer pension contributions

Along with the "A Day" changes to pension scheme rules last year HMRC issued a statement that employer pension contributions would only receive corporation tax relief if they were wholly and exclusively for the purposes of the business. This of course led to concerns that tax relief on high levels of contributions would be restricted.

The Revenue has now confirmed that a contribution will not receive tax relief only where there is an identifiable non-business purpose for the employer to make the particular contribution.

For any further information on any of the above topics please speak to your usual contact or:

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