



MOVING ONWARDS & UPWARDS

NOW IS THE TIME TO REVIEW YOUR FINANCES

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WiltonGroup
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As with all our newsletters we aim to bring to your attention news that is interesting and helpful enough for you to make the right decisions.

THE UK BUDGET – A REVIEW

We have written to all with details of the UK Budget shortly after the speech by Alistair Darling in the House of Commons. Since then the calling of a UK Election will mean that an interim Finance Bill will be passed.

We fear that this will not be the last we hear of tax this year as there will almost definitely be a further announcement and budget following the General Election which will then have a stronger aim of dealing with the UK Government deficit. The UK remains among the worst of the G20 countries after the Credit Crisis of 2008/9 and action will be needed if the UK is not to see the credit rating cut and the attractiveness of the bond issuance reduced. The main headline details are: **Changes to stamp duty both for property purchases below £250,000 (reduction to zero for 2 years) and for those above £1m (increased from 4% to 5% permanently) | Entrepreneurs Relief to Capital Gains Tax increased from £1m to £2m | Most tax allowances break points and levels have been frozen at the levels for last year thereby increasing the tax levied though inflation | The amount that can be invested in an Individual Savings Account will rise to £10,200 from £7,200 | Increased taxation on Cigarettes, Alcohol and Petrol | Increase in National Insurance Employers Contributions | Improved situation for Pensioners.**

In addition they have announced a review of the use of Employee Benefit Trusts and a tightening of measures dealing with tax avoidance and evasion particularly with reference to Dominican Republic, Grenada and Belize.

Further details and also a full summary can be obtained directly from your Manager at Wilton on 020 7355 3525 or alternatively by email on mail@wiltongroup.com

ISLE OF MAN BUDGET

The Isle of Man budget was presented on 16th February 2010 with changes due for implementation as from the 6th April 2010. The main changes are as follows: **Corporate Taxation – No change. The current tax rates of 0% and 10% remain | Individual Income Tax – the top rate of tax has been increased from 18% to 20% and the maximum income tax liability has been increased from £100,000 to £115,000 | National Insurance Contributions have been increased by 1% on amounts exceeding the annual upper profits limit | A Tax Amnesty has been announced for Manx residents with undeclared income such that they can pay the outstanding tax due with no penalty but interest will apply.**

WiltonGroup will provide personal and corporate tax advice to Manx Residents and Manx Companies and would be pleased to advise on the new requirements. Please call Debbie Hammond on 01624 675610.

WILTON MARINE

Isle of Man Ship Registry introduces an Annual Management Fee. With effect from April 2010, the Isle of Man has announced that there will be an annual registration fee of £700 per annum for merchant vessels. Where owners have a number of vessels there will be a discount available. The Isle of Man has been an important jurisdiction for the registration of vessels particularly as it is within the UK VAT net, yet is also outside the European Community. This had led to many using the Isle of Man as a good home for boat or ship owners. The charge is highly competitive against other suitable jurisdictions and, the fee is relatively small in relation to the costs of boat ownership and does not in any way reduce the attractiveness of the Isle of Man as a location to be considered.

WiltonGroup has a special department to handle Marine matters and is pleased to advise on all aspects of boat ownership and appropriate tax structures. Please call Wilton Marine on 020 7355 3525.

TICKING TIME BOMB

NO MORE PAPER TAX RETURNS TO HM REVENUE & CUSTOMS | HMRC has mandated that all tax returns for companies, clubs societies and associations must be filed online electronically for all accounting periods ending after 31 March 2010. In addition the company accounts which accompany the tax returns must also be filed electronically in an XBRL format. HMRC require filings in XBRL format so that they can store information electronically in a database format. This will allow HMRC analysts to run immediate comparatives between year-ends and companies within similar sectors. Statistics and variances will inevitably lead to more directed questions from HMRC.

So – what is XBRL (Extensible Business Reporting Language)? XBRL is a technology standard that can be applied to the creation of financial statement data and other reporting situations. It is used for the reporting of business and financial information and can make the process of creating, distributing, reporting and analyzing information more efficient and effective. XBRL data is more robust, accurate, and transparent than data in financial statements that appears in legacy electronic paper reports. Here's why: in an XBRL financial report, each piece of data (both numbers and text) is given a unique ID, based on standardised lists of accounting terms, or taxonomies. For example, a data point of £200,000 might be linked to the accounting terms 'Net Profit', 'Second quarter', '2009'. Once data is tagged, it is computer-readable. It can be identified, verified, extracted and reused. The tags remains connected to the data, so even when the data is used in other XBRL software, it can still be understood in its original context.

This means that all statutory accounts filed at Companies house and with HMRC will need to be prepared using XBRL compatible software with all items tagged according to an XBRL Taxonomy (an electronic description and classification system for the contents of financial statements and business reporting documents). Taxonomies may represent thousands of individual business reporting concepts, mathematical and definitional relationships among them and information about how to display each concept to a user. As with the introduction of all new regulatory requirements, additional work and expertise will be required to be compliant with Companies House and HMRC.

WiltonGroup have invested in software which can produce both tax returns and statutory accounts in an XBRL format. WiltonGroup accounts department would be pleased to help and advise.

VAT MATTERS

Many companies will have received notification that the HMRC will now require VAT Returns to be filed on line. As from 1st April 2010 all companies with a turnover in excess of £100,000 for the year ending 31st December 2009 and for all periods beginning after 1st April will be required to file their VAT returns on line. It is therefore satisfactory to file a return for the quarter ending on 31st March 2010 still in paper form if that is desired but this will be the final period that the historic system will apply.

There is the opportunity to appeal if the directors do not agree that the turnover was in excess of the £100,000 for the year to 31st December 2009 but this must be done in writing within 30 days of the date of the notification letter.

For companies with a turnover of less than £100,000, the VAT return can still be done on paper until next year but as from April 2011 they will also require the VAT to be done on line.

Any business which first registers for VAT after 1st April 2010, all return will need to be made on line irrespective of the level of turnover. Please refer to your account manager for assistance and advice.



TAX HOLIDAY FOR NEW IRISH COMPANIES

In a desire to increase business, the Irish Government has announced in their budget in 2009 a tax holiday for companies which commence trading in 2009/10 subject to certain provisions. This is regarded as a welcome opportunity for tax mitigation in a time of economic recession.

The provisions were announced by Ministerial Order on 15 December 2009 and relates to companies which have been incorporated on or after 14th October 2008 and commence a new trade. The tax holiday will mean that companies will be fully exempt from Corporation Tax on trading profits (or chargeable gains on the disposal of assets used for the new trade) where the total amount of tax which would otherwise be payable does not exceed €40,000 in any year. This will mean that companies can generate tax free trading profits and capital gains of up to €320,000 each year, for three years before the normal corporation tax rate of 12.5% will apply by carrying on a qualifying trading activity in the Republic of Ireland. Companies which are normally taxed at a 25% rate, and so includes those that are solely in receipt of “passive” income or companies carrying on a foreign trade, will not be included in the exemption. In situations where the Corporation Tax liability would be calculated as between €40,000 and €60,000, then marginal relief will apply and any company with a tax liability of in excess of €60,000 will not be able to claim any relief. As a result a lower tax rate will apply to all qualifying companies with profits of up to €480,000 per annum. The relief will apply for three years from the date of commencement of the new trade. Business that are thought to be allowable are those involved in manufacturing and businesses such as Advertising agents, auctioneers of livestock in a mart, insurance brokers, operating a retail pharmacy, public relations agencies and stockbroking. Restrictions apply to existing businesses and certain professions.

This is a major opportunity which should be of great benefit to new businesses and encourage the use of Ireland as a suitable jurisdiction where the tax holiday applies. Any company which also wishes to embark on new activities which are demonstratively different from their existing current activities should also see the benefit of the regulations. This is an opportunity for the Private Equity funds which invest in start-ups. It will be of particular interest to international businesses who do not have an existing presence in Ireland and who are seeking to locate part of their trading operations to a favourable tax jurisdiction.

Wilton is pleased to assist with the overall accounting and tax advice concerning new companies in Ireland and the returns made to the tax and regulatory authorities. Please do call WiltonGroup and speak to Nicole Hewson on +353 1 405 4882.

FINANCIAL REPORTING REVIEW PANEL AND FINANCIAL REPORTING COUNCIL

The Financial Reporting Review Panel (FRRP) has warned companies that they need to pay special attention to the requirements of IFRS 8 which requires performance of all key parts of the operating businesses. This area has been designated a priority for the FRRP this year and it has stated that it is expecting to see a detailed analysis of each salient part of the business even if this means a change to the segmentation that has been made previously. They will be examining all the results in the forthcoming reporting season to ensure that there is compliance with the new rules.

The Financial Reporting Council (FRC) has also initiated a drive to improve the quality of information concerning acquisitions. The FRC has published a study of the reporting of acquisitions completed in 2008. The review concentrated on the business review and disclosures about the individual intangible assets and goodwill recorded in the audited accounts. An example was quoted that if it was stated that the strategic reason for the transaction was to secure substantial new customer contracts, it was expected to find a note to the accounts explaining the intangible assets arising was linked to the new customer contracts. WiltonGroup has a particular specialisation in dealing with such accounting matters and we are happy to advise on what is now necessary to meet the requirements.

CELLCOTEC – MAKES GREAT “STRIDES” FORWARD

CellCoTec is a development stage orthopaedics company using ground breaking Cellular Regeneration Technology (CRT) to provide a single-surgery solution for damaged articular cartilage in the knee. We believe that everyone suffering a traumatic cartilage injury of the knee should expect to return to full level activity without compromising their quality of life. Existing treatments have limited success and can involve more than one surgical procedure with extended rehabilitation time. CellCoTec has developed a unique technology which combines cell interaction with the use of a mechanically functional polymer scaffold in a single surgical intervention. The company believes the technology will promote effective hyaline cartilage formation coupled with a rapid rehabilitation time for the patient. The first operations have been successfully completed on patients now and initial patient and surgeon satisfaction is very high. The company is currently raising further funding also to continue the exploitation of its' technology. If you are interested please contact Thomas Walford or Tony Flanagan for further details on 020 7355 3525.

RECENT LAW CASE REVIEW

UK Residency Interpretation by the HMRC: The Gaines-Cooper Case | The recent case decision in the Court of Appeal in the UK has placed the spotlight back on the issue of residency in the UK. If you are considering leaving the UK, tax advice should be sought prior to departure on the requirements from a tax position.

The case concerned Robert Gaines-Cooper who had claimed to have moved to the Seychelles in 1976. He was a businessman and owned property in the Oxford area where his second wife and son had lived. He had sent his son to a school in the UK in 2002 and his will was drawn up under English Law. The HMRC argued that notwithstanding the evidence brought by Robert Gaines-Cooper he had not severed his ties with the UK and so should continue to be taxed in the UK. The guidance by the UK authorities were enclosed in IR20 and this recent case brought the guidance in line with the decisions of the UK courts. It should also be noted that Robert Gaines-Cooper had claimed that he was not resident and not ordinarily resident in the UK in the tax years 1993/4 to 2003/4 but this had been rejected by the Special Commissioners (2006, Sp C 568). Despite this he had assumed that he could rely on the information contained in IR20 and considered that the correct interpretation was that he was not liable for UK taxation.

The case was further complicated by the claim that the HMRC had not been consistent in applying the rules and had applied a change in policy which had not been announced. The result is that Robert Gaines-Cooper will now have to pay taxes dating back to 1993 which is estimated with time costs to be some £30m. The case is interesting for a number of different reasons but the most important is the test for leaving the UK permanently or indefinitely for Tax purposes will be judged on there being a clear break in the ties with the UK. In order to be safe in this area, it will require demonstration that there is positive action that the break from the UK is absolute. Unless a person is leaving for full-time employment overseas, factors that should be considered would be residency of a current spouse, location of children's education, employment, holding of bank accounts with UK banks as well as the frequency and length of any return trips to the UK. On the area of application of the law it has been found that HMRC had not “moved the goalposts”, but enforced the existing rules more rigorously. The court decided this was in order.

There are serious implications for anyone who has gone abroad to live and claim that they are no longer subject to UK taxation obligations. There are some 6m UK Citizens living abroad and the historic facts relating to departure will apply even if they may appear to be retrospective. Important in depth advice should be sought should individuals wish to consider leaving the UK and not being liable to UK taxation in the future. WiltonGroup is highly experienced in this area and would be pleased to assist in advising people on the actions that they need to take. Please call the Tax Department on +44 20 7355 3525.

SIMPLIFICATION OF CAPITAL GAINS TAX RULES FOR COMPANY GROUPS

The Office of Public Information on behalf of the UK Treasury has made an announcement that they intend to simplify the way that Capital gains Tax Rules will work when applied to a Group of Companies. The main areas to be effected are as follows:

1. The use of Capital Losses following a change in Company ownership which have previously not been covered by anti-avoidance rules on gain and loss buying is intended to be simplified. The main proposal is to remove restrictions on the use of losses which are not realised at the time a change in ownership takes place. As a result there will no longer be a requirement to apportion gains and losses on pre-entry assets, and many of the complex rules applying to holdings of shares and securities can be repealed. An additional proposal is for the amended rules to apply in a similar way to assets used for the purposes of trades and other businesses rather than being limited to trades alone.
2. Government's proposals to simplify the legislation in respect of value shifting and depreciatory transactions. The main elements of the Government's proposals are to replace the complex value shifting rules applying to groups at sections 31-34, Taxation of Chargeable Gains Act 1992 (TCGA) with a simpler, motive-based rule. In addition, the Government proposes to introduce a time limit of 6 years to the depreciatory transactions rules at section 176 TCGA.
3. To simplify the degrouping charge rules and to ensure a closer matching between economic outcomes and tax outcomes. The Government's proposals include several elements, one of which is to clarify the existing exception to the degrouping charges for asset transfers between "associated companies" that leave a group together. The Government also proposes to ensure any degrouping charge on trade assets can come within the exemption where the Substantial Shareholding Exemption ("SSE") applies, including changes to the SSE rules which will make it easier for groups to reorganize their trading assets prior to a disposal while still benefiting from the exemption. A further element of the proposals is to ensure the degrouping charge is generally payable by the vendor group rather than the company which has been sold. In addition, the proposals would provide a further safeguard to ensure that where no exception or exemption applies, the degrouping charge will not result in economic double taxation.

Inevitably this is a complex area and Wilton are able to assist with the advice on how the new rules may be applied. Please talk with the Tax Department, Kate Gott or Jon Elphick on 020 7355 3525.

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