Spring Newsletter

April 2011

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

Reduced IHT Rate (Gifts to Charity)

From 6 April 2012, where at least 10% of a person's net estate is left to charity, the rate of inheritance tax (IHT) on the estate will fall from 40% to 36%.

The 10% threshold for the gift to charity is calculated in reference to the individual's net estate (i.e. after deducting any exemptions, reliefs and the nil rate band).

The idea behind this is to encourage charitable giving, although calculations suggest that the beneficiaries' net 'cash' position may not be improved by the IHT reduction and therefore this tax relief is targeted towards charities, rather than individuals.

Avoidance Schemes - Restriction to their Benefit

Hidden amongst the detailed documents released after the Budget, was a proposal for anti-avoidance.

It is proposed that these measures will seek to reduce the cash flow advantage from using certain tax avoidance schemes, by listing them in regulations and attaching statutory consequences to their use. Hopefully, this will not catch legitimate tax planning. The Finance Bill is awaited!

IR35 – Still Around

The Chancellor has decided that the potential loss of revenue is too large to abolish the IR35 rules. This means there can still be deemed employment receipts from personal service companies. However, the following claimed improvements are proposed:

- To provide greater pre-transaction certainty, including a dedicated Helpline staffed by specialists;
- To provide greater clarity by publishing guidance on those types of cases HMRC view as outside the scope of IR35
- To restrict reviews to high risk cases carried out only by specialists teams; and
- To promote more effective engagement with interested parties through an IR35 Forum to monitor HMRC's new approach.

It remains to be seen how effective these proposed changes will be. In the meantime it will still be important to review contracts and take specific advice on a case by case basis, to try to ensure arrangements are not caught by the anti-avoidance rules.

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Bank Holiday Office Closure

The offices of Eaves and Co will be closed on the following dates:

Friday 22 April
Monday 25 April
Friday 29 April
Monday 2 May

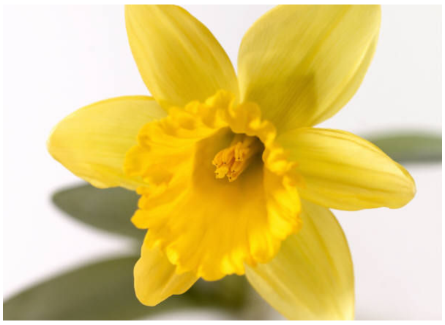
If there are any urgent matters we will be monitoring emails and telephone messages can be left on 07970 696479.

Enterprise Zones

The Government announced that they plan to introduce 21 new Enterprise Zones (EZs) with Leeds and Sheffield listed as potential locations for the zones.

The EZs could provide excellent incentives and opportunities for tax planning, with possible enhanced capital allowances, up to 100% reduced business rates for five years and relaxed planning restrictions.

As yet, the specific locations of the Enterprise Zones are still to be decided.



Summary of Rate Changes:

- Entrepreneurs' Relief lifetime limit doubled to £10m of gains
- Corporation Tax main rate reduced by 2% (1% more than previously announced) from April 2011 – the small company rate will be 20%
- Expenditure on qualifying research and development will now get 200% deduction
- EIS income tax relief increased from 20% to 30% of investment
- Non-doms to face £50,000 charge if resident for 12 years
- National Insurance increase of 1% still going ahead

Capital Allowances

From April 2012 writing down allowances will be reduced by 2% on both the main pool and long life assets, making them 18% and 8% respectively. The annual investment allowance (AIA) will be reduced from £100,000 to £25,000.

It is not all bad news however, as the deemed life of short life assets will be extended from four to eight years from April 2011.

Accelerated tax relief can be obtained where these are sold or scrapped within 8 years.

From a tax planning perspective, purchasing assets before April 2012 when the AIA allowance is reduced should provide accelerated relief provided the planned spend is greater than £25,000.

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