

Let it Grow...

George Osborne's autumn statement in 2011 announced that the tax incentives for individuals investing in small businesses would be greatly improved. Enterprise Investment Schemes and Venture Capital Trusts were due for a revamp as from 6 April 2012 but, on the same date, their little brother, called the Seed Enterprise Investment Scheme (SEIS) was to be introduced.

Draft legislation was subsequently published and the provisions for SEIS formed part of the Finance Bill (now Act) 2012.

The headline relief is very attractive but, needless to say, there are a number of hoops to be jumped through. If the conditions are satisfied, the investor will receive income tax relief, capital gains tax exemption and capital gains tax deferral. The income tax relief is 50% of the amount invested in the year it is made, regardless of the investor's marginal rate. The capital gains tax exemption is achieved by the shares, acquired through the SEIS investment, being exempt from tax and the capital gains tax deferral applies because assets disposed of, in 2012/13, where the proceeds are used for an SEIS investment, are not subject to tax, up to the level of the investment. This is described as a deferral but as long as SEIS relief is not withdrawn or reduced, for any reason, within 3 years from the investment, it becomes a capital gains tax exemption and the deferred gain is cancelled.

The conditions are:-

- The investment must be in ordinary shares of a company.
- An investor can only invest £100,000 in a single tax year, spread over a number of companies if they wish.
- An investor, together with his associates, cannot control more than 30% of the company's capital.
- A company must be unquoted.
- A company must not have already raised capital under any other scheme, such as the Enterprise Investment Scheme.
- A company can only raise a maximum of £150,000 in total via SEIS investment.
- A company must be a UK company and have a permanent establishment in the UK.
- A company must have fewer than 25 employees. If it is a group company, this limit applies to the whole group.
- A company's trade must be less than 2 years old.
- A company must have assets of less than £200,000.
- A company must be carrying on an approved trade. Very basically property investment is excluded, as is farming and legal or accountancy services.

With the potential for tax relief of 78% (income tax 50% and capital gains tax 28%) upfront, SEIS is designed to attract investors but, as usual, one has to be careful that "the tax tail does not wag the dog". A bad investment is still a bad investment, even if it has a tax sweetener. It will still be a case of hunting for a good investment and taking the tax advantages as a bonus.

The aim of SEIS was said to be to stimulate entrepreneurship and kick start the economy. The writer has not seen much of this but these are still early days – the legislation is only just over 6 months old.

About the author - This article was written by Tax Panel member Chris Hobbs of Crowther Beard LLP, 01905 454854, cjh@crowtherbeard.com

Page 2 – Q&A's from Doug Sinclair covering- 'The Liechtenstein Disclosure Facility'

Page 4 – Tax Panel members and their specialisms

UK200Group Talking Tax Q & As – October 2012

Members of our Tax Panel each month look at issues they have come across and share these with members and readers of UK200Group's *Talking Tax*.

This month's Q & As is supplied by Doug Sinclair of BKL Tax ...

The Liechtenstein Disclosure Facility

Q What is the Liechtenstein Disclosure Facility?

A The Liechtenstein Disclosure Facility (LDF) is an opportunity to settle unpaid taxes linked to accounts or investments held in Liechtenstein financial institutions.

Q Who is affected?

A Anyone who holds or has held (directly or indirectly) investments or accounts in Liechtenstein which is associated in any way to a loss of tax, NIC, VAT etc. in the UK.

Q What is wrong with holding investments or accounts in Liechtenstein?

A Absolutely nothing provided the monies therein originate from non-taxable sources or taxed income and any income arising thereon has been properly declared.

Q If you have an open enquiry can you participate in the LDF?

A Yes you can so long as the enquiry is not being undertaken via Code of Practice 9 – cases involving suspected tax fraud.

Q What if I do not have an account in Liechtenstein?

A You can create new relevant property (a bank account, trust or life assurance) in Liechtenstein to enable you to participate in the facility.

Q What is HMRC looking for?

A The tax authorities are interested to ensure that UK resident and domiciled individuals are declaring their worldwide income or capital gains including bank interest arising on offshore accounts as well as checking the source of the sums deposited. In the case of UK resident non-domiciled individuals, they want to ensure that any income or capital gains remitted to the UK has been declared and taxed.

Q What are the key dates?

A 1 September 2009: date when registration for LDF opened.
5 April 2016: date by which disclosure must be made and duties paid (the initial deadline was 31 March 2015).

Q What taxes are covered by the LDF?

A
Income Tax
Capital Gains Tax
Inheritance Tax
Corporation Tax
Pay As You Earn
National Insurance
Value Added Tax
and Other taxes administered by HMRC.

Q What is there to pay?

A Tax and interest will be due in respect of any undeclared sums as well as a fixed penalty of 10% of the tax underpaid. Due to the complexities of certain investments held in Liechtenstein, (or structures holding investments) instead of computing the strict amount of tax owed, individuals can elect to apply a special composite rate of 40% to cover all taxes on an annual basis without the benefit of relief or deduction.

Continued ...

Q For how many years does a disclosure need to be made?

A A disclosure under the LDF should relate to the period 6 April 1999 to 5 April 2009 and the period from 6 April 2009 to date, if necessary.

Q What is the process?

A Notification of an intention to make a disclosure under the terms of the facility should be submitted to HMRC's Specialist Investigation office in Liverpool.

Q Are there any risks?

A Unlike the New Disclosure Opportunity (NDO) there is a guarantee of immunity from prosecution for tax offences. Extreme care must be taken to ensure that disclosures are accurate and complete.

Q What if affected individuals choose not to disclose?

A Banks and trust companies in Liechtenstein will be audited and accounts of customers who do not take up the offer will be closed.

For further information on the above, please contact Doug Sinclair on 020 8922 9328 or 07979 982298 or doug.sinclair@bkltax.co.uk

UK200Group Tax Panel members are renowned for their depth of knowledge and can advise on all areas of taxation with special expertise and experience of multinationals, UK companies, privately-owned organisations, sole traders, family businesses, trusts, partnerships and private individuals. Straight forward general enquiries will be dealt with quickly and free of charge. More complex specific client enquiries may require a fee charge which will be discussed and agreed by both parties prior to any work being undertaken.

Tax enquiries can be posted to www.uk200group.co.uk members' home page under member's queries. The Centre is alerted to all enquiries posted on the UK200Group web site.

- | | | | |
|--|--------------------------------|--|--------------------------|
| 1 Capital Gains Tax | 2 Sales & Acquisitions | 3 Employee Share Incentives | 4 Inheritance Tax |
| 5 International Tax | 6 Offshore Tax Planning | 7 Partnership Tax Planning | 8 PAYE and NI |
| 9 Stamp Duty Land Tax | 10 Tax Investigations | 11 Taxation of Owner Managed Businesses | 12 Trusts |
| 13 UK Taxation of Foreign Expatriates | | 14 VAT | |

Alastair Byrne 1, 2, 11
 JWPCreers LLP
 York, 01904 624155
ajb@jwpcreeers.co.uk
www.jwpcreeers.co.uk

Alan Boby 1, 2, 3, 4, 8, 11, 12
 Ellacotts LLP
 Banbury, 01295 250401
aboby@ellacotts.co.uk
www.ellacotts.co.uk

Mhairi Charlton 2, 3, 8, 10, 11
 Anderson Barrowcliff LLP
 Middlesbrough, 01642 660 300
mhairi@anderson-barrowcliff.co.uk
www.anderson-barrowcliff.co.uk

Martin Culshaw 2
 Hillier Hopkins LLP
 Watford, 01923 232938
martin.culshaw@hhllp.co.uk
www.hillierhopkins.co.uk

Stephen Deutsch 1, 2, 3, 7, 8, 9, 11
 BKL Tax
 London N3, 020 8922 9119
Stephen.deutsch@bkltax.co.uk
www.bkltax.co.uk

Mike Donnan 1, 2, 7, 8, 11
 Howard Worth
 Northwich, 01606 369000
mikedonnan@howardworth.co.uk
www.howardworth.co.uk

John Dormer 3, 8
 Wright Hassall LLP
 Leamington Spa, 01926 886688
john.dormer@wriighthassall.co.uk
www.wriighthassall.co.uk

Debra Dougal - Chairman 14
 Haslers
 Loughton, London NE, 020 8418 3426
Debra.dougal@haslers.com
www.haslers.com

David Gillies 4, 5, 6, 12, 13
 Harwood Hutton Ltd
 Beaconsfield, 01494 739500
davidgillies@harwoodhutton.co.uk
www.harwoodhutton.co.uk

Chris Hobbs 1, 2, 4, 7, 8, 10, 11, 12
 Crowther Beard LLP
 Tewkesbury, Gloucestershire, 01684 290123
cjh@crowtherbeard.com
www.crowtherbeard.com

Barry Jefferd 1, 2, 3, 4, 7, 8,
 George Hay Partnership LLP
 Huntingdon, Cambridgeshire, 01480 426500
barry.jefferd@georgehay.co.uk
www.georgehay.co.uk

Terry Jordan 4, 12
 BKL Tax
 London N3, 020 8922 9360
terry.jordan@bkltax.co.uk
www.bkltax.co.uk

Chris Mattos 1, 2, 3, 6, 7, 9, 10, 11, 12,
 Randall & Payne LLP
 Stroud, 01453 763471
cjm@randall-payne.co.uk
www.randall-payne.co.uk

Duncan Montgomery 1, 2, 4, 7, 9, 11, 12
 Whittingham Riddell LLP
 Shrewsbury, 01743 273273
dmontgomery@whittinghamriddell.co.uk
www.whittinghamriddell.co.uk

Clare Munro 1, 2, 3, 4, 5, 10, 11, 12
 Haslers
 Loughton, London NE, 0208 418 3333
clare.munro@haslers.com
www.haslers.com

Robert Postlethwaite 3
 Postlethwaite & Co Solicitors
 London WC2, 020 7470 8805
rmp@postlethwaiteco.com
www.postlethwaiteco.com

Graham Purvis 1, 3, 4, 7, 11, 12
 Robson Laidler LLP,
 Newcastle upon Tyne, 0191 281 8191
gpurvis@robson-laidler.co.uk
www.robson-laidler.co.uk

Derek Rhodes 6, 12
 Alex Picot Ltd (International Associate)
 St Helier, Jersey 01534 753753
derek.rhodes@alexpicot.com
www.alexpicot.com

Continued over ...

UK200Group Tax Panel members are renowned for their depth of knowledge and can advise on all areas of taxation with special expertise and experience of multinationals, UK companies, privately-owned organisations, sole traders, family businesses, trusts, partnerships and private individuals. Straight forward general enquiries will be dealt with quickly and free of charge. More complex specific client enquiries may require a fee charge which will be discussed and agreed by both parties prior to any work being undertaken.

Tax enquiries can be posted to www.uk200group.co.uk members' home page under member's queries. The Centre is alerted to all enquiries posted on the UK200Group web site.

Panel membership continued ...

Catherine Scott 2, 10, 11
Baines Jewitt LLP
Stockton on Tees, 01642 632032
cs@bainesjewitt.co.uk
www.bainesjewitt.co.uk

Doug Sinclair 10
BKL Tax
London N3, 020 8922 9328
doug.sinclair@bkltax.co.uk
www.bkltax.co.uk

Anne Smith 1, 2, 3, 4, 5, 8,
9, 11, 12, 13,
Watts Gregory LLP
Cardiff, 029 2054 6600
a.smith@watts-gregory.co.uk
www.watts-gregory.co.uk

Marcus Ward 14
Price Bailey LLP
Cambridge, 01223 696114
marcus.ward@pricebailey.co.uk
www.pricebailey.co.uk

David Whiscombe 1, 2, 3, 5, 6, 7,
8, 9, 10, 11, 13
BKL Tax
London N3, 020 8922 9306
david.whiscombe@bkltax.co.uk
www.bkltax.co.uk

Francis Whitbread 1, 2, 3, 4, 7,
11, 12, 14
Edmund Carr LLP
Chelmsford, 01245 261818
fwhitbread@edmundcarr.com
www.edmund-carr.co.uk

Disclaimer

UK200Group is an association of separate and independently owned and managed accountancy firms and lawyer firms. UK200Group does not provide client services and it does not accept responsibility or liability for the acts or omissions of its members. Likewise, the members of UK200Group are separate and independent legal entities, and as such each has no responsibility or liability for the acts or omissions of other members.