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Time called on offshore accounts

By Sarah Bradford



Those using offshore accounts to salt money away from the prying eyes of the taxman have been warned that the game is up. HMRC have recently revealed that they have obtained detailed information about the holders of offshore accounts from a number of banks and through the European Savings Directive. The exact nature of those details has not been publicised.

A person who is UK domiciled and UK resident is liable to tax on his or her worldwide income, regardless of whether that income is remitted to the UK. This means that UK tax is due on money earned on bank accounts held overseas. In the case of an offshore bank account, provided that any interest is declared and any tax is paid, there is nothing to worry about. The problems start where such accounts are used to hide money away in the belief that HMRC will not find out about it.

Instead of using the new information to

come down heavily on those with undeclared income from offshore accounts, HMRC have announced a voluntary disclosure facility. The disclosure facility is available for a limited period only. It provides offshore account holders with the opportunity to come clean and to be treated more leniently than those who fail to take advantage of the facility.

The Facility

The offshore disclosure facility is open to those who hold or have held an offshore bank account that is either directly or indirectly connected to a loss of UK tax and/or duty. For example, this might be a failure to declare and pay tax on any interest earned on money held in the account.

For the purposes of the offshore disclosure facility, an offshore account is one that is held outside the UK. This means that accounts held in the Channel Islands, the Isle

of Man and the Republic of Ireland are regarded as offshore accounts and are within the scope of the facility.

Under the terms of the offshore disclosure facility, taxpayers must notify HMRC of the intention to make a disclosure by 22 June 2007. Where a disclosure is made, HMRC will charge a fixed penalty of 10% of the tax and duties underpaid. However, no penalty will be levied if the untaxed amount is less than £2,500.

Where a disclosure is made, the unpaid tax, together with penalties and interest must be paid by 26 November 2007. HMRC will give a final decision as to whether or not the disclosure has been accepted by 30 April 2008.

In most cases, HMRC will accept disclosures that are made. However, in few instances such as those that are found to be materially incorrect or incomplete, those made by taxpayers whose affairs are under investigation or enquiry by HMRC, or those from people suspected of being involved in serious organised crime against HMRC, it will not be possible to conclude matters through the voluntary disclosure process.

Innocent Errors

The disclosure facility is designed to target those who have knowingly avoided tax rather than those who have underpaid tax as a result of an innocent error. Where the loss of tax has arisen solely because of an innocent error, the taxpayer should contact his or her tax office with evidence of the error. Where HMRC accept that the loss of tax is wholly attributable to an innocent error, they will not seek a penalty and will restrict recovery of tax and interest to maximum of the last six years.

Making a Disclosure

There are two time-limited stages to the disclosure process. The first is to notify HMRC of the intention to make a disclosure by 22 June 2007. The second is to make the disclosure by 26 November and to pay all tax, penalties and interest due by that date.

When making a disclosure it is advisable that professional advice is sought, particularly if large sums are involved.

At the notification stage, it is not necessary to provide details of that undeclared tax. This stage is simply to identify to HMRC those account holders who are making a disclosure. Notification can be done in various ways:

- online at <https://disclosures.hmrc.gov.uk>;
- by phone on 0845 302 1401; or
- by post to HM Revenue and Customs, Section 10, Accounts Office, Bradford, BD98 1YY.

HMRC will acknowledge the disclosure and send a disclosure reference number. This should be received within three weeks. Taxpayers notifying of their intention to make a disclosure will also be sent a payslip and return envelope to use when making the actual disclosure.

The second stage of the process is the actual disclosure itself and involves calculating the amount due to HMRC, including interest and penalties. The calculation can be

complicated and taxpayers may wish to seek professional advice. Calculations should be submitted in pounds sterling.

It is not necessary to disclose amounts going back more than 20 years. Full disclosure should be made for all years back to and including 2001-02. For earlier years, there is no need to provide information for a year in which the unpaid tax and duties were trivial. If records are incomplete, best estimates should be provided, although taxpayers should be aware that HMRC may require justification of any estimates used.

Once the amount of undeclared income, profits and gains has been determined, tax and National Insurance (if appropriate) should be applied at the appropriate rate of tax for each year. Interest is charged on tax paid late. The appropriate rates are on the HMRC website at www.hmrc.gov.uk/trates/index.htm. Penalties should be applied, where relevant.

The total amount due (undeclared income and gains, plus interest and penalties) must be paid to HMRC no later than 27 November 2007.

The disclosure can be made online or by post. Disclosure letters are available on the HMRC website (<https://disclosures.hmrc.gov.uk>). HMRC will acknowledge the disclosure within four weeks of receipt. They will let the taxpayer know whether the disclosure has been accepted by 30 April 2008 by means of a letter of acceptance. The letter of acceptance together with the offer letter, form a contract.

If the disclosure is not accepted, HMRC will open an enquiry before 30 April 2008.

Failure to Disclose

HMRC generally treat those who come forward and hold their hands up more favourably than those who refuse to cooperate and this looks set to be the case in relation to offshore accounts.

Taxpayers with undeclared income from offshore accounts have until 22 June to notify their intention to disclose. Once this period is up, HMRC will get to work and target those who have failed to come forward. They will use a variety of tools at their disposal and will compare the information that they have obtained with the taxpayer's tax history, making enquiries if the two do not match. Where undeclared income is found, the culprit will be hit with harsh penalties in addition to a bill for the undeclared tax and income.

In cases of non-disclosure, the penalty can be up to 100% of the tax undeclared and HMRC have stated that it is unlikely to be less than 30%. This is compared to a penalty of 10% for those who come forward voluntarily.

Having got the bone between their teeth, HMRC are not going to let go. They will continue to use their powers to obtain detailed information about offshore accounts held by UK residents. Offshore account holders have been warned. It is up to them whether they heed that warning, however, the failure to do so may prove very costly.



Insider Tax Tips

- **Swap shop!**
Traders should be careful if they 'barter' – such as if a car dealer and an electrical shop swap a car for a new set of kitchen appliances – both of them are taxable (and VATable, if registered) on the value of the goods, and it's a favourite question from HMRC if you get investigated.
- **Do you have two properties that could be your main residence?**
If you have two properties that could be your main residence (such as a cottage in the country and a flat in town) it is always a good idea to nominate one of them as your main residence within two years of acquiring the second property – this will give you the flexibility to vary the nomination later.
- **Not all expenses can be offset!**
If you are selling your business, some of the professional fees you pay will be allowable expense and some will not. Check carefully with your advisers to make sure that they correctly allocate the fees they charge you.
- **Keeping records**
Start keeping records and invoices before you start trading – most of the expenditure that you incur will be an allowable expense once you open for business.
- **Problems with profits, dividends and waivers?**
Are you having problems with distributable profits, dividends, and waivers? There may be another way – ask your Tax Adviser about the tax treatment of loans from the company which are then written off.
- **Are you using your gift allowance?**
Gifts totalling up to £3000 in a tax year are ignored for IHT – and if you did not use the £3000 in the previous tax year it can be added to make £6000 that will never be taxable, even if you die within seven years of making the gift.

Company winding-up – Beware of Bona Vacantia

By James Bailey

There are essentially only two ways to realise the capital value of your limited company:

- You can sell the shares
- You can wind the company up and take its assets for yourself.

In the case of a sale of the shares, you will of course make a capital gain (or loss!) on the disposal, but in the case of a winding-up, the position is not so simple.

In many cases, the purchaser of a business does not want to buy the company that owns it – there can be sound commercial and tax reasons for this – and so they will instead buy the company's trade and assets from the company, leaving it as a "cash-box".

In order to get their hands on this cash, the shareholders of the company have two choices:

- They can pay themselves dividends on which (if they are 40% taxpayers) they will suffer income tax at an effective rate of 25%
- They can liquidate the company, in which case they will be deemed to have disposed of their shares and will make a capital gain. In the case of a trading company, the effective rate of CGT payable can be as low as 10% or even lower in some cases, thanks to Taper Relief for business assets.

The formal process of liquidating a company must be performed by a "Licensed Insolvency Practitioner" who will collect the debts due to the company, pay off its creditors (including HMRC) and then distribute whatever is left to the shareholders. Insolvency Practitioners charge a fee for this work, of course, and they are not cheap – a typical fee might be in the region of £3,000 to £4,000 and probably more if the company has assets other than cash, such as buildings.

Fortunately, there is a cheaper way to deal with winding up a company which can save a smaller company these costs – Extra Statutory Concession C16.

Instead of being formally liquidated, a company can be "dissolved" or "struck off" by the Registrar of Companies – either involuntarily, as a punishment for not filing its returns on time, or as in this case, voluntarily by asking for this to be done.

In strict law, if a company pays cash or assets out to its members before being "struck off" this is treated as a payment of a dividend for tax purposes – only distributions from a company which is in formal liquidation are treated as capital gains from the disposal of the shares – so income tax (at 25%, as explained above) would be payable.

ESC C16, however, allows a company and its shareholders to agree with HMRC that the



distributions made just before the striking off can be treated as capital payments, provided the inspector of taxes is satisfied that there is no tax avoidance going on and the shareholders agree that they will pay any corporation tax that is due from the company.

The majority of family companies that are wound up are dissolved using ESC C16 because it saves the cost of a formal liquidation.

There is, however, a trap here for the unwary. Although a company can pay out its spare cash to its shareholders, a repayment of their share capital is technically illegal unless the company is in formal liquidation.

The share capital of many family companies is only a nominal sum – typically £100, or even only £1, but some have a larger amount of shares issued and this is where the problem comes in. In some cases, companies also have what are known as "undistributable reserves" – without going into the details of company law, these can arise, for example, where the company has re-valued its assets or has bought back some of its shares from a shareholder.

When a company is struck off without a formal liquidation, any assets it owns become what is known in law as "bona vacantia" – loosely "goods without an owner", and as such these assets become the property of the Crown.

Until recently, this was only a theoretical problem in most cases. You were careful to make sure that all the cash and other assets were paid out from the company before it was

struck off and that was the end of the matter.

In August 2006, however, the Treasury Solicitor issued a Notice reminding us all that the repayment of share capital outside a liquidation was illegal, and that therefore if a company was struck off the value of its share capital and its undistributable reserves became the property of the Crown, and he intended to pursue the shareholders for this value.

Fortunately, it has been agreed with the Treasury that this will only be done if the value of the share capital (and undistributable reserves) is £4,000 or more, so the typical family company with only 100 £1 shares issued need not worry, but if your company has £4,000 or more in share capital (or those pesky undistributable reserves), then if you do not have a formal liquidation you may find the Treasury Solicitor chasing you for the cash you were illegally paid by the company.

It is important to realise that this does not mean that a company cannot pay out more than £3,999 to its shareholders when it is being wound up – the problem only arises if its share capital has a nominal value of £4,000 or more, or if it has undistributable reserves.

The August 2006 announcement did not exactly make the front pages, so if you are planning to have your company struck off using ESC C16 make sure your accountant or tax adviser is aware of this change of policy by the Treasury!

It's only fair – HMRC and Equitable Liability By James Bailey

It never fails to surprise me how many people simply ignore letters from HMRC, presumably in the hope that if they do so the taxman will just forget about them and go away. Being a professional tax adviser, my own returns are of course filed on time (usually only just in time!) but not everyone else is such a goody-goody.

I got a call today from one of my accountant clients about someone who had come to his office with a whole sheaf of "determinations" of his tax liability from HMRC. If you fail to file your self assessment return HMRC can "determine" the amount of tax you owe them, and if you still do not file a return, that tax is due and payable. As you would expect, the estimates of tax due in these "determinations" tend to err on the expensive side as an incentive to file a return and establish the correct liability. If you have still not filed the return by the fifth anniversary of the correct filing date, then the "determination" is final and conclusive and there is no legal way that the tax charged can not be collected – or so the inspector had told my client.

I was glad to be able to let him in on a relief that HMRC do their best to keep secret – "tell them you want them to apply Equitable Liability to the determination", I said.

When I was a tax inspector some years ago, there used to be rumours about an Inland Revenue policy known as "Equitable Liability". No one in the office was really sure what it was and I was told never to mention it to taxpayers.

For many years, tax inspectors tried to avoid getting involved with "Equitable Liability". To quote from their instructions for dealing with insolvent taxpayers:

"The Revenue does not normally take the initiative in suggesting that an application should be made under these provisions"

Or, more bluntly, in their instructions for recovering tax due:

"Although this is the case (that is, that HMRC will apply Equitable Liability in many cases) you must never express an opinion on the amount of an assessment, say anything which might imply that part of the tax/NIC is not due or use the term "equitable liability" in correspondence or conversation (other than within the department)"

This policy of secrecy about Equitable Liability meant that whether it was applied to your case or not depended on whether you were lucky enough to have a tax adviser who had heard of it or not, and the Chairman of



the Board of Inland Revenue was hauled over the coals for allowing this ridiculous situation to exist by the Select Committee on Administration in 1995.

The Chairman having promised to make the policy public, an article was then published in the Tax Bulletin in August 1995 explaining how Equitable Liability worked, but you will have a long search if you look for it anywhere else in HMRC's published information!

Equitable Liability came about as a result of the old rules on insolvency (before the 1986 Insolvency Act) which made the Inland Revenue a "preferential creditor" when someone went bankrupt or a company became insolvent. This meant that the Revenue had to be paid in full before the other creditors could pick over whatever was left. In a case where a taxpayer had neglected his tax affairs so that estimated assessments had become "final and conclusive" because he had not appealed against them, there could be huge tax liabilities based on pure guesswork by the inspector and these would be collected in preference to real debts for real goods and services supplied by the other

creditors.

In order to remedy this unfair treatment of the other creditors, the Revenue developed the policy of "Equitable Liability". Under this policy, where tax is legally due because of the way the system works but if the taxpayer had filed his returns on time, the actual amount of tax would have been less, HMRC will only collect the lesser amount.

Despite the reform of the insolvency laws – so that now the taxman generally has to wait in line with the other creditors – Equitable Liability has survived and is still the official (though almost secret) policy of HMRC.

It is important to realise that Equitable Liability only applies when you have been taxed on estimated amounts because you have not filed returns in time – it does not let you off from your correct tax liability – but for those who have let things slide and got themselves into arrears because they have not submitted their returns, it remains an important relief.

But don't expect the tax inspector to tell you about it – as we have seen from the quotes at the start of this article, his instructions actually forbid him to mention it!

Changes to the Rules on Bad Debt Relief for Goods Supplied on Credit Terms

By Andrew Needham

Revised HMRC policy on bad debt relief claims relating to goods supplied on credit terms, including hire-purchase, conditional sale and credit sale agreements. HMRC say the new rules reflect existing commercial accounting methods, and result in a more accurate bad debt relief figure for the supplier.

HMRC revised their bad debt relief policy in VAT Info Sheet 05/04, following the litigation in GMAC UK Ltd. Further changes were made in VAT Info Sheet 05/06 to close a loophole concerning goods sold for a second time by finance companies. Notice was also given that changes would be made to allow businesses to use the same basis for calculating bad debt relief as for the reduction of the original selling price. HMRC are now making those changes.

HMRC advise that where a business supplies goods on credit, it makes two supplies - goods (taxable) and credit (exempt). The supplier must account for VAT on the supply of goods at the outset, but sometimes agreements are terminated because customers default. If a customer makes some of the periodic payments before defaulting, these payments will cover both the goods and interest. In order to work out the amount of bad debt relief claimable on the goods, the supplier will need to look back at the payments the customer made before defaulting, and allocate them between the goods and interest. They will then be able to



calculate how much remains unpaid for the goods, and so how much of the output tax they previously paid can be reclaimed as bad debt relief.

Previously, the legislation used a 'straight-line' methodology. The new legislation will instead reflect existing commercial practice. Thus, for suppliers, the numbers fed into the calculation will be based on the commercial method used (e.g. an actuarial method or the 'Rule of 78'). The new rules only apply to situations where, upon default, the customers still owe money. If the customer invokes a right to end the agreement early (voluntary termination), they will not normally owe any money and bad debt relief should not apply. When allocating payments from defaulting

customers for supplies made before 1 September 2006, the existing calculation must be used. Payments from defaulting customers for supplies made in the 1 September 2006 to 1 September 2007 transitional period can be allocated using the existing or new calculations, but payments from defaulting customers for supplies made after 1 September 2007 must be allocated using the new calculation only.

Defaulting customers who must repay the VAT previously reclaimed on goods are unaffected. The 'straight line' method applies regardless of when the supply was made. Payments received after termination of an agreement change the amount outstanding, and will need an adjustment to be made to the relief claimed.

The pitfalls of de-registering a partly exempt business

If a business is partly exempt and de-registers for VAT, it will, unfortunately, find itself in a difficult position.

On de-registering, a business has to account for VAT on some or all of its business assets and stock on hand. However, it will not have to account for any VAT if the total VAT due on the assets would be £1,000 or less.

It should exclude items on which it could

not reclaim VAT when it bought them.

Such items may be any of the following:

- goods bought from unregistered businesses;
- cars (except private taxis, self-drive hire cars and driving school cars on which input tax has been claimed);
- goods bought under the second-hand goods scheme;
- goods used wholly for business entertainment;
- goods which have been directly attributed to an exempt business activity (unless some input tax relating to these goods was reclaimable through the partial exemption rules);
- land or buildings which were obtained VAT-free even though you may be using them to make standard-rated supplies (such as holiday accommodation or because you have opted to tax the property);

- goods not bought for business purposes; or
- goods bought before VAT was introduced on 1 April 1973, which were not relieved of Purchase Tax or Revenue Duty.

In the example of a flying club (which we have acted for in the past), if it had been unable to recover any VAT on its gliders because they were only used for exempt purposes, it would not need to account for any VAT on them at the time of de-registration. However, if it had included them as non-attributable ('residual') assets because there was both taxable and exempt use of them, then it would have to account for VAT on them based on the full market value of them at the time of de-registration.

This is clearly not very fair on partly exempt businesses, but unfortunately, the rules as they stand on this are quite clear.

Home Sweet Home – what exactly is a “Main Residence”?

By James Bailey



Probably the second most frequently asked question on the Tax Insider website is “how do I make this property my main residence?” – the most popular is “should I use a limited company for this venture?”

Everyone is aware that when you sell your “Only or Main Residence” (“OMR”), you are, generally speaking, exempt from capital gains tax on the gain you make so it is most important to understand what is, and is not, an OMR.

In many cases, the answer is obvious – if you only own one house and you live in it as your home then it is your OMR. This article looks at some of the more tricky situations, typically where someone has more than one residence.

If you own two properties and use both of them as a residence, then you have a choice:

- You can write to the inspector of taxes within two years of acquiring the second residence and nominate which of the two will be treated as your OMR
- You can do nothing, and then the question of which is your OMR will be decided based on the facts.

What criteria do HMRC use to determine which is your OMR?

To quote from their Capital Gains Manual:

“The following list of criteria, although not exhaustive, may be useful.

- What address is shown on declarations made on return forms.
 - What address is shown on third party correspondence in the file such as dividend warrant counterfoils.
 - If a mortgage has been used to acquire one or more residences, on which mortgage is mortgage interest relief due. (This one is no longer relevant, as the law on mortgage relief has changed)
 - What security of tenure did the individual have in respect of each residence.
 - How is each residence furnished.
 - If the individual is married or is in a civil partnership where does the family spend its time.
 - At which residence is the individual registered to vote.
 - Where is the individual's place of work.”
- Obviously, it is better to nominate your main residence yourself as this brings with it a number of planning opportunities – see for example my article “Where do you live” in the June 2006 edition of the Tax Insider.

Making a property your OMR

If a property has been your OMR at any time during your ownership, then it is deemed to be your OMR for the last three years of your ownership of it, even if you had another OMR at that time. There is also a relief of up to £40,000 against a gain on a property that has been your OMR at any time if you have also let it as residential accommodation at another time during your ownership of it.

As a result of these reliefs, I am often asked by property investors planning to sell a buy to let property how they can make that property their OMR so that they can take advantage of these reliefs.

The other question is “how long do I have to live there?”

They say of those magnificent yachts at the Boat Show: “If you want to know the price, you can't afford it” and I am tempted sometimes to answer questions about OMRs with: “if you need to know how to make it your OMR, it probably isn't your OMR”.

I have heard of property owners being advised to get the utility bills put into their names and to inform HMRC of their change of address, as if this was enough. It is not. Unless you actually live in the property and make it your home, it will not be your OMR.

If you want to move into a buy to let property so that it becomes your OMR, then you need to bear all the following in mind:

- You (and your spouse or civil partner) can only have one OMR at any one time, so if you have another property you must make the nomination described above – note that if the BTL property has been let, the two

year time limit for the nomination starts when the tenants leave and it becomes available for you to occupy.

- You should make sure you satisfy all the criteria from HMRC's instructions quoted above
- You must actually move into the property and use it as your home – just camping out in it for a few weeks with the bare minimum of furniture is not enough.

How long must I live there?

There really is no answer to this question. Take these two examples:

1. Joe, who has no other properties, gets a job in Liverpool and buys a flat there. He moves in, but after he has lived there for a week he wins the jackpot on the Lottery. He lets the flat and goes on a world cruise for six months. When he returns, he buys a large detached house and moves into it. He sells the flat a couple of years later. The gain on the flat should be exempt because for that one week before he won the lottery, it was clearly his OMR and only the lottery win meant that he did not continue to live there. Because it was his OMR for that one week, the final three years of his ownership (in this case, the whole period of ownership) are exempt from CGT.
2. Jill, who owns a house and a flat in another part of town, lets the flat and lives in the house. She decides to sell the flat, so she evicts the tenant and moves in. She informs HMRC and her bank, etc., of her change of address. She leaves most of her furniture at the house which she lets her sister use while she is living in the ex-rented flat. She does not like the neighbourhood of the ex-rental flat and so she spends most weekends with her sister in her old house. After eighteen months of this, she sells the ex-rental flat. I suppose it is possible she will get away with this but if HMRC were to start an Enquiry into her return and find out what had actually been going on, they are very likely to argue that her occupation of the flat was a sham designed to get tax relief on it as her OMR, and deny her that relief.

These are of course two extreme examples but they illustrate the basic principle – if it really is your home – or one of your homes, in the case, say, of a weekend cottage, then it can be your OMR. If you are just living there with one eye on the calendar waiting until you can sell up and claim the relief, then it is probably not your OMR.

The Tax Insider Gurus Answer Your Questions

Q My Partner and I live together in my house, we are not married and he does not pay anything towards the mortgage or bills here. He bought a house close by that he rents out and has never lived in; we now wish to sell his house and for him to move in here on a more permanent basis. Is it possible for him to move into his house for the time being to limit capital gains tax as he has never lived there. There is no PPR as it stands as he lived away and moved down to be closer to us. I had a very nasty divorce and was not willing for him to be put on this mortgage. I also advised him to keep a foot on the housing ladder. Now it seems he is liable for CGT if he sells.

A This is a frequently asked question. The answer is unfortunately not clear cut. However it may be fair to say that a) if your partner has no other property that is eligible to be his PPR because he owns no other residence nor does he rent any other residence, and b) he moves into this (until now) investment property with all his belongings, 'lock, stock and barrel', and informs everyone of his new address, and c) he stays there and lives there fully for six months to a year then more than likely the Revenue would accept that this residence is his PPR.

Concerning point a), even if he has another property that is eligible to be his PPR, if he makes an election to the Revenue that the residence that he is moving into now is now his PPR and not the other residence, then it will legitimately become his PPR.

Answer by Arthur Weller

Q If I am the landlord of a property with a market value of £300,000 and outstanding mortgage of £60,000, is there a tax-free way of transferring the property to someone else for £60,000? In effect they would just pick up the outstanding mortgage. Please assume I haven't lived in the property for some years and have lived in the USA since 2001. This would help out a cousin who has just lost her husband and has 4 young children.

A Because you are not making an 'arms length disposal', you are deemed to be disposing of the property at its present market value, i.e. £300,000, even if in actuality you only receive £60,000 for it, or any other sum. Therefore your capital gain is the difference between £300,000 and the amount you paid for it. I get the impression from the question that you used to live in the property. If so you are eligible for principal private residence relief on its disposal. So you take the aforementioned gain, a) reduce it by indexation relief if you owned the property before April 1998, b) then reduce it by principal private residence relief, i.e. the period you actually occupied it plus the last three years of ownership, which are deemed occupied, c) if the property was let out during the period which you didn't actually occupy it or are deemed to occupy it, then you can reduce the gain attributable to this period by the 'letting exemption', i.e. the smaller of £40,000 or the amount you are claiming PPR relief in b), d) the remaining gain can then be reduced by non business asset taper relief, and e) after that you can knock off annual exemption, currently £9,200, if you haven't used it elsewhere. After all these calculations, it is quite possible that your final gain will be very small.

Answer by Arthur Weller

Q I have query that does not seem to be answered in *Pay Less Property Tax 2008*. I have several properties that involve a round trip of over 300 miles to visit. Is it possible to charge as an expense basic accommodation costs when staying overnight for the purpose of the properties?

A In principle, you can get a deduction for travel and subsistence when visiting your properties, but you will need to show this was the SOLE purpose of your journey.

Answer by James Bailey

Q Can my daughter sell her flat and buy a 1/4 share in the family home. There is no mortgage on either property. It will raise equity for us. She cannot prove PPR as she has only lived in her property for the last 6 months. If she sells her property, who informs the Revenue?

A This is a potentially very complex area and you need to take specialist advice about the inheritance tax and pre-owned asset tax implications. One point - if your daughter has actually been using her flat as her residence for six months, and she had no other residence at the time, then the exemption for Main Residence should be available for the last three years of her ownership of it - though I would need to know the full facts to be sure of this.

Answer by James Bailey

Q We are moving to Glasgow in June on business and have a strict housing allowance of £900 a month. We've heard that we need to consider "city tax" as we consider how much we can spend on renting/letting a flat. Have you heard of this? How much a month should we expect to pay in tax in addition to our monthly rent?

A I have never heard of "city tax". Could it perhaps mean council tax? I suggest you ask an estate agent in the area how much you could expect to pay.

Answer James Bailey

Send your questions to questions@taxinsider.co.uk for consideration in future editions.

Tax advice and help to solve your challenges at an affordable price!

The contributors to this e-zine are current practising specialists. They have made available an advice and helpline service to help resolve any UK and international tax matters.

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