

E-News : November



Welcome to our November E-News, designed to keep you informed of the latest tax, wealth management and other financial issues.

We hope you find the E-News useful and remember - we are here to help you so please contact us if you need further information on any of the topics covered.

Kind regards,

Charlotte Mottram



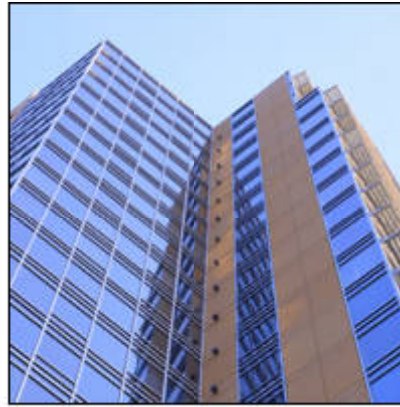
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MAXIMISING TAX ALLOWANCES ON COMMERCIAL PROPERTY

On May 31st 2011 HM Revenue & Customs issued a consultation paper proposing major changes to the rules that allow capital allowances claims for plant and machinery fixtures in buildings. This will affect all property owner-occupiers and investors. The changes, if as widely expected, are passed into law, they will come into effect from 6 April 2012.



The proposals will force claims for capital allowances to be made within one year of when the expenditure is incurred. If this is not done then no capital allowances claims will be available to either the original owner or any subsequent purchaser. It is likely that all expenditure incurred prior to that date will also be subject to this restriction. HMRC are also proposing to require owners in future to submit a "record of agreement" for all purchases, to show how much of the purchase cost relates to eligible expenditure. All of this places the burden on the purchasers who need to make the claims within the periods outlined.

These measures are very draconian and could mean that businesses and commercial landlords alike will miss out on allowances that they are entitled to. Assessing what element of fixtures potentially qualify can range from a review of a works schedule or quotation provided by the builder, to a more detailed structural survey of the premises.

We recommend that owners who have in recent years acquired new business premises, or have incurred costs on refitting and refurbishment consider their position, before the new legislation takes effect. As well as the time limit restriction, reduction in rates of Corporation Tax and a forthcoming reduction in the 'writing down' rates of Capital Allowances will dilute the value of such claims somewhat in future.

We can provide assistance with reviewing expenditure on business premises and are happy to provide a fee structure whereby fees will only be charged if opportunities to claim allowances are found and tax savings are achieved accordingly.

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HOW HMRC CAN MAKE A DISCOVERY

The tax authorities are entitled to look at and ask questions on any tax return within an enquiry window which normally ends 12 months after the tax return was filed with them. But they

can also do this outside that window, by making what is termed a *discovery*, if they can show that not all relevant information was supplied to them with the tax return so they had no way of knowing that all might not be well.

As your tax adviser we always take care to disclose additional information with the tax return where we feel that protects you from a later *discovery*, but until now HMRC have things very much their way on this. A recent tax case, however, looks like it has changed that. The case is *Dr Michael Charlton and Others v HMRC* and we will try to use it to your advantage if you ever face the threat of HMRC making a *discovery* in respect of an old tax return.

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INVESTMENT SCHEME

(Business Angel Seed Investment Scheme - BASIS)

There is an exciting new opportunity which is scheduled to start next tax year.

BASIS is based on the existing Enterprise Investment Scheme (EIS) but is more narrowly targeted at the seed level and to business angels.



The possible structure is up for consultation, but there are plenty of valuable tax breaks associated with an investment under BASIS, and it should also be a useful additional source of new finance. It is likely to involve the following:

1. More flexibility around the use of debt instruments, whereas EIS covers subscriptions for shares only.
2. Rather than based on company size, number of employees and gross assets, as with EIS, the new scheme may enable a more accurate target for investor and company by way of identifying characteristics of an angel investor and seed-stage company.
3. BASIS relief could be available only where the company is in pre-trading stage and intending to use the funds raised to develop business concepts. There may also be a restriction in the definition of a business angel entitled to the new relief as that may require that person to have invested in at least 4 seed stage companies, so as to demonstrate valuable experience and at the same time have a record of previous EIS investment.

At this stage, it is well worth flagging this up for you to consider in detail when the exact rules are known which is not the case yet – for example we do not yet know the rate of tax relief under BASIS but this likely to be more than the 30% applying to an EIS investment given that BASIS has a higher risk profile. We will be pleased to discuss this with you as a prospective investor or where you have a business idea you wish to develop and need to look at all possible sources of finance.

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THE CHANCELLOR'S AUTUMN STATEMENT

This we now know will be on 29 November 2011, and following a new policy it is likely to be accompanied by draft clauses of new legislation planned to be introduced on 6 April 2012. This enables us to have a good look at the changes well before they come into

force, and needless to say we will be ready to advise you fully in plenty of time before any action is needed.

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EQUITY RELEASE

For many retirees – as well as those considering their retirement plans – their home is likely to be their largest asset. In an environment of high inflation and low savings rates, money can be tight for pensioners, but misconceptions about equity release plans might prevent retirees from releasing the value tied up in their home.



Research by Safe Home Income Plans (SHIP), the trade body for equity release providers, has found a number of myths that persist about equity release plans.

1 – 69% of UK consumers believe you risk losing your home. However, you can remain in your property for life as long as it remains your main residence. In cases in which a couple is involved, this rule will apply to the last surviving member of the couple.

2 – 67% of UK consumers believe you will not be able to leave an inheritance. In fact, when you die, your home will be sold and the money used to pay off the loan. Although an equity release plan will reduce the value of your estate, any money left over will go to your beneficiaries. Taking out an equity release plan could also help by reducing an inheritance tax liability.

3 – 52% of UK consumers believe you will not be able to move house. In practice, you have the right to move your equity release plan to another suitable property without suffering any financial penalty.

4 – 47% of UK consumers believe equity release plans are unsafe and unregulated. However, all members of SHIP have to abide by a rigorous complaints procedure to satisfy the Financial Services Authority.

5 – 43% of UK consumers believe your children will have to repay the loan themselves. In fact, you will never owe more than the value of your home and no debt is ever left to the estate. Importantly, SHIP providers also offer a no-negative-equity guarantee.

It is important not to confuse equity release plans with sale-and-rent-back arrangements, in which the house is sold – often at a discount – to a third party and then rented back to the vendor for a specified period. These arrangements tend to be an action of last resort, involving those in serious financial difficulties.

Equity release refers to Home reversion plans and Lifetime mortgages. To understand the features of Equity Release contact our IFA **Henry Hayden** at our Chelmsford office on **01245 254780**

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