

# EXCLUSIVELY FOR CONTRACTORS

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## Inland Revenue Turn Up The Heat On Homes In The Sun

A recent newspaper article got us thinking about those of you who own homes abroad. The article was saying that where people buy a second home and arrange the purchase through a company then the Inland Revenue is looking to tax the owner on the benefit that he or she is enjoying from the property.

While this is something that will develop over the next few months as the Chancellor tries to squeeze the last pound out of anybody who has any money left, there are however other points to look at for those of you who do have houses abroad.

For about 30 years now it has become increasingly popular and realistic to buy that second house in the sun. In the early days these purchases tended to be apartments in Spain but as we have become more integrated with Europe, people are buying houses and even small estates, particularly in France.

The problem with property purchases in some of these countries is that when the purchaser dies it can be difficult to convey the property to the beneficiaries of the estate. It has always been advisable to have a separate Will dealing with assets held in another country and this is still very much the case. In fact many countries require a separate Will to deal with assets located in the particular country.

To get around this and also the punitive fees which are levied on transfers of property and which our Chancellor has only just latched on to with his increases in stamp duty, many purchases were made through companies set up for the purpose. The idea was that a company was formed specifically to buy the property and that when the owner died or wanted to sell the property then the shares were

sold rather than the property itself. For a period of time this made it much easier to escape the scrutiny of the authorities in the country where the property was actually located.

Although the position for a UK resident was no different in that Capital Gains Tax would have to be paid on the profit, whether it be from the sale of the property of the shares, some people were none too scrupulous about declaring this profit. Now however, the European countries have caught up with what has been going on and make it clear that any transfer of beneficial ownership of the property, even if it is the transfer of shares in the company, will trigger local taxes being paid on the value of the property at the time of sale even though invoices were available to justify the expenditure!

This is a fairly perilous area all round and we have recently encountered a case where a client of ours carried out significant improvements to his house in France with British builders. When assessing the local tax to be paid the French authorities refused to accept that the work done by the Brits would count in calculating the profit on the sale even though invoices were available to justify the expenditure!

It does make you wonder just how integrated we really are with the rest of Europe, doesn't it?

### FOOD FOR THOUGHT?

If you had invested £100,000 in the gilt market (Government Securities) in January 2000 your investment would now be worth approximately £120,000.

If you had invested £100,000 in the equity market in January 2000 then your investment would now be down to about £60,000.

In other words you would have twice as much money now had you invested in Government Securities three years ago than you would from the same investment in the Stock Market!

That should make you think.

## A BUDGET FOR INSOMNIACS

By the time you receive this newsletter, if you are a client of ours you will have received our Budget Review. Let me start by apologising for the headline in the review which says 'Brown Puts Small Business At Heart Of Healthy Economy' Bearing in mind that in my humble opinion the Chancellor has been trying to strangle the life out of small businesses ever since he got the job with such repressive measures as IR35, you can guess that I was not responsible for writing that headline!

The worrying thing from our point of view is that since he became Chancellor the savings ratio has halved (that's right, it isn't a misprint, it has halved!) and in April 2004 he is withdrawing the ability of share-based ISAs to reclaim tax deducted from dividends. Deposits and fixed interest securities will still retain their exemption but bearing in mind that the Chancellor has blamed a falling stock market as one of the factors responsible for a slow-down in growth, it is surprising to us that he should now introduce a further penalty for people holding them.

A £250 contribution into a trust fund for children, to be given to them when they are 18 does not seem to be fantastically generous either. The rule of thumb calculation was that you could reckon on a deposit doubling in six or seven years. With low interest rates that calculation has gone out of the window but even if it had not, the sum available will probably be not more than £2,000. As other commentators have said that's just about enough for one helluva good party which can hardly have been the intention of the scheme.

Anybody who does not have a copy of our budget review, will they please contact Evan Jones on [evanj@wheawill.co.uk](mailto:evanj@wheawill.co.uk) and he will send you one. Our principal fear is that Mr Brown's revised growth forecasts still look overly optimistic and as he seems in no mood to trim Government spending then he will either have to borrow more money and/or increase taxes.

## SHAREHOLDER PERKS

In the early days of our newsletter we published on a quite regular basis the perks that could be enjoyed if you were a shareholder of a company providing goods or services that you used.

For an outlay of less than £1,000,— in fact most of these will cost you only a few pence, here are some of the perks that you can enjoy:-

| <u>Company</u> | <u>Benefits</u>  |
|----------------|--|
| Hilton Group   | 15% off hotel rooms, food and drink  |
| De Vere Group  | 35% off rooms at De Vere Hotels  |
| Eurotunnel     | A limited number of journeys will attract 30% off standard fares                   |
| P&O            | 50% discount on Dover-Calais and 40% off Portsmouth –Cherbourg and Le Havre routes |
| Signet Group   | Purchases at Ernest Jones, H Samuel and Leslie Davis attract a 10% discount        |

You obviously place your capital at risk in purchasing shares but the amounts involved are very small indeed and we know of people who have purchased shares purely because they are attracted to the perk that goes with it.

For a free copy of these perks check out the Hargreaves Lansdown website at [www.hargreaves-lansdown.co.uk](http://www.hargreaves-lansdown.co.uk)

## TAX RETURNS

Apparently 900,000 tax payers failed to submit their tax return by 31 January. This represents almost 10% of the forms issued and there will be fines of £90m payable.

Tax payers risk a further fine of 5% on the outstanding balance of tax owed by them if they have not submitted their returns by the end of February!

The chances are that many of the tax returns which have been issued either should not have been issued in the first place or there is no tax liability due.

## PENSIONS ARE GOOD FOR YOU!

There was a rather nice report in the paper about a computer glitch which led to an 82 year old Devonshire lady receiving a letter saying that she was entitled to a pension of £160,000 per week. That was good news but it got better! Reading on she found that the pension would be backdated for 200 years. By the time that she had got somebody to work out that her cumulative entitlement was somewhere approaching £2bn, she realised that the letter had been issued in error!

Not fair is it?

## W&S EMAIL NEWSLETTER

Have you subscribed to the W&S Email Newsletter yet? If not, go to [www.wheawill.co.uk/register](http://www.wheawill.co.uk/register) now!

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