



UK Tax Briefing: New Year equals New Opportunities

January 2012

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1. UK Tax Briefing: New Year equals New Opportunities!

Firstly, a Happy New Year!

2012 is already into week 3 and you may be thinking about New Year resolutions having already fallen by the wayside, but if your resolution for 2012 was to reduce your tax liabilities be it, Corporation tax, income tax, employment taxes, National Insurance, VAT, Withholding taxes etc or to recover all the overpaid duties that you never knew you had overpaid, well help is at hand to keep your resolution alive!

As with any New Year, there are changes to a number of tax areas which companies need to consider as part of 2012 planning such as:

- location of finance companies,
- shifting IP into a low tax jurisdiction,
- changing supply chain models and implications on tax
- debt write-off's
- worldwide debt cap rules and planning
- entity reduction in Europe
- transfer pricing documentation requirements,
- permanent establishment risks,
- VAT registrations,
- Employee incentives and share scheme advisory,
- Withholding taxes,
- Control foreign company legislation changes in the UK,
- Introduction of patent box regime,
- R&D tax credits
- Expat remuneration
- Planning to avoid 50% tax charge
- Extraction of funds from companies in the most tax effective way
- Customs duty mitigation etc

This briefing note highlights some of the issues which UK companies and Overseas parent companies need to consider for 2012.

To the extent you have any queries or would like to discuss any of these in greater detail or any area of tax planning, please contact me. Help is at hand!

2. True Partners Consulting (UK) LLP

TPC is a global firm with 17 offices located across the U.S., Europe and Asia. We work with mid-market to F1000 companies and utilize our extensive knowledge base to help you develop an international tax strategy and identify opportunities to minimize your tax liability.

TPC has its roots in the Big Four technical training and professional experience, but we have taken this experience to a new level. Our depth of knowledge informs our client's perspectives and expectations to help them grow. In short, TPC sets new standards for intelligent tax advice in areas such as:

- *Transfer Pricing – Planning & Documentation
- *Cross Border Transaction Planning
- *Cross Border Financing Planning
- *Foreign Tax Credit and Planning
- *International and European Tax Compliance
- *US Tax Accounting

Tax is a key component to every company's portfolio of providers. We have experience working concurrently with other tax consulting firms to provide you with the highest level of efficiency to maximize your team's effectiveness.

We would like to meet with you to discuss our services and how we can have a favorable impact on your organization. Please contact me and let me know of a day and time in the upcoming week or two that works for you. The meeting will be set with one of our Managing Director's from our London office who has expertise in your industry.

I look forward to hearing from you.

Abbas Sadak
Director

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3. CORPORATION TAX

The UK is still regarded as being the most preferred location for HQ based companies due to a number of reasons. The recent change to the UK/ China treaty is a positive step towards tax

This section highlights some of the main corporate tax issues for companies to consider in 2012.

3.1 Controlled Foreign Company Reform

For accounting periods beginning after Royal assent in 2012 the long-awaited new CFC rules will apply. In the meantime, there is much work for UK groups and UK HQ's based companies to do to understand the application of the new rules and the new boundary of what is acceptable tax planning outside the UK.

Overview and Main Policy aims of the CFC regime

- Major changes to the current framework
- Strike the right balance between making the corporate tax system more competitive and providing adequate protection of the UK tax base
- Stated aim to target only the highest risks of artificial diversion of UK profits
- Proportionate charge as opposed to „all or nothing“

Framework for proposed regime - Mechanics

The mechanics of the CFC regime are as follows (these are explained in detail later):

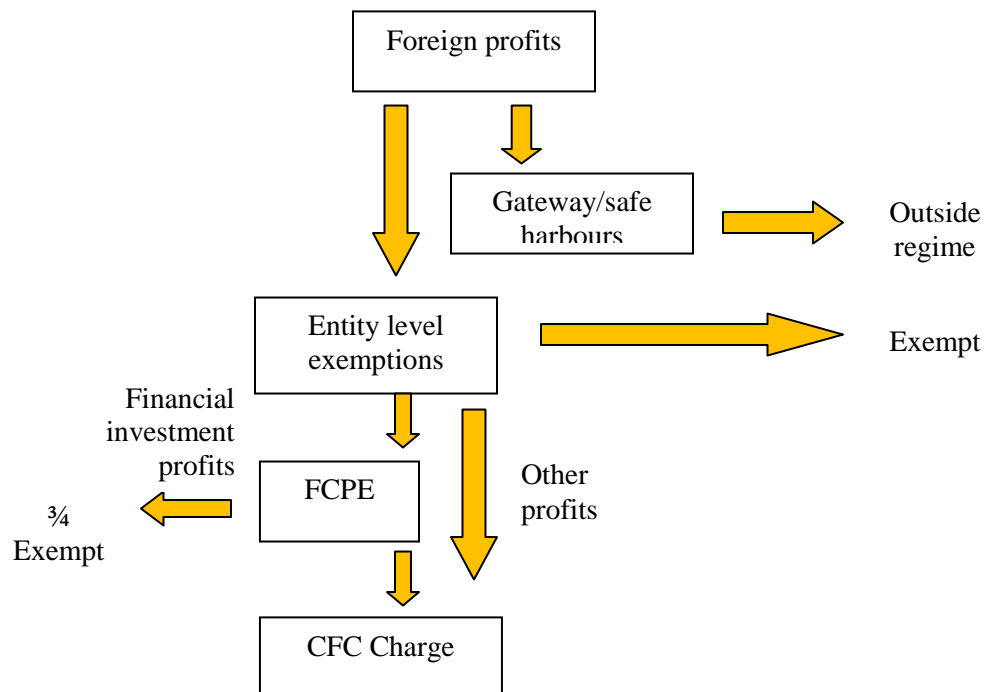
1. “Control” criteria
2. Determine chargeable profits
 - “Gateway” test and safe harbours
 - Entity level exemptions
 - Partial exemption for finance profits
3. Apportion chargeable profits

Definition of CFC “Control”

- Any non-UK resident company controlled by UK resident persons
- Requirement to be subject to a lower level tax is removed (now a separate entity level exemption)
- “Control”
 - mechanical test remains
 - 40% test for certain joint ventures
 - new accounting test (same definition as FRS 2 for UK GAAP purposes)
 - anti-avoidance rule

Framework – Broad operation of the new CFC regime

This diagram summaries the operation of the CFC Regime. All UK companies with overseas operations will now have to apply the CFC legislation by entering apply the gateway tests or entry level exemptions route.



In summary both of these tests are explained below in more detail:

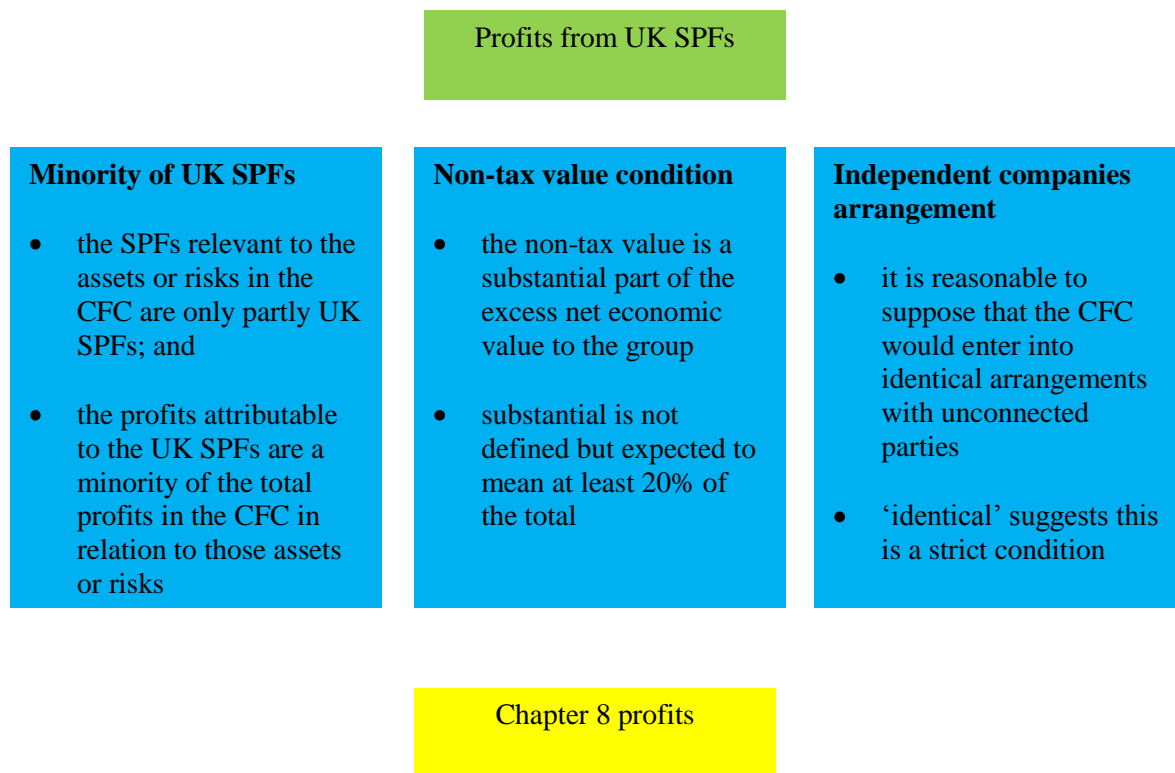
3.1.1 ‘Gateway’ rule - Overview

- Significant change from existing rules because the rules bring all subsidiaries within the CFC legislation
- Test will not apply to companies in receipt of finance income (separate test)
- Objective is for only certain categories of profits in scope – ‘all out unless brought in’
- 3 conditions – if *one* passed then no chargeable profits
- Different rules for specific sectors (e.g. banking and insurance)

‘Gateway’ rule – Significant people functions (SPFs)

- Rules seek to identify, and potentially tax, those profits in the CFC relating to assets and risks that have been separated from SPFs that are in the UK
- Analysis based on principles in the OECD Report on the Attribution of Profits to Permanent Establishments (“PE”)
- Re-determine the CFC’s profits assuming that those assets and risks relating to UK SPFs are allocated to a notional UK PE and not owned or borne by the CFC

‘Gateway’ rule- Overview



‘Gateway’ rule- Safe harbor – trading income

All trading profits are outside the scope if five “safe harbour” conditions are met, covering:

- Business premises
- Proportion of UK related management expenditure (20% test applies)
- Proportion of trading income derived from the UK
- Intellectual property transfers from the UK in the prior 6 years
- Proportion of trading income arising from goods exported from the UK (excluding goods

Gateway Rule general exclusions

- Profits of a properties business
- Incidental non –trading fiancé income (5% of total)
- Incidental finance non –trading income earned on funds retained for the purpose of CFC trade
- Incidental non- trading fiancé income of holding companies (5% of exempt distribution income)

3.1.2 Entity level exemptions – ‘low level’ exemptions and excluded territories

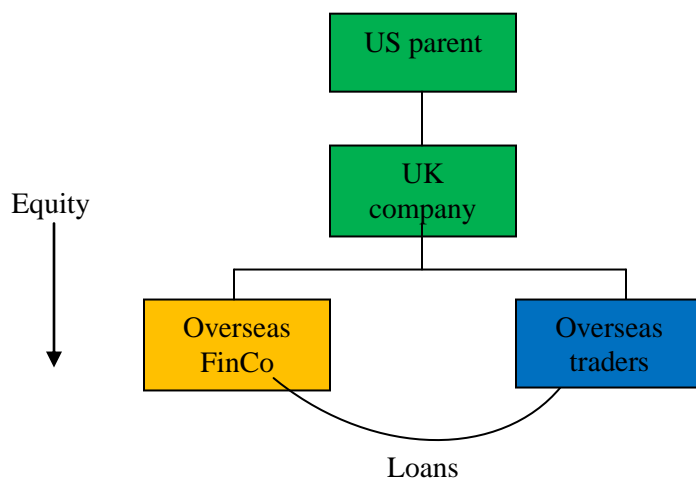
There are four main tests to apply:

- Lower level of tax exemption
 - 75% of UK tax
- Low profit margin exemption
 - <10% opex
- Low profits exemption
 - £500k accounting or taxable profit (with <£50k non-trading)
- Excluded territories exemption
 - ‘White List’ Detailed provisions potentially onerous

3.1.3 Finance company partial exemption

- The FCPE reform offers the potential to move from complex offshore structures and instruments to manage financing from a CFC.
- Tax certainty should be achieved in both the UK and Overseas territory.
- This can ultimately drive improved effective tax rates (ETRs) and reduced audit exposures.
- Major “winners” will be medium sized groups who would not otherwise consider offshore financing.
- For large groups key question is whether the benefit obtained by alternative structures

Example: Finance company partial exemption (FCPE)



- UK company incorporates and equity funds overseas FinCo
- FinCo lends cash to overseas group companies
- Under proposed reforms, there would be a UK tax charge of 5.75% on the interest income it receives
- Potential for full exemption still under consultation
- Partial exemption requires a claim to be made – detailed provisions not yet available

US MNC's should continue to consider using Luxembourg for locating their finance companies in Europe to manage their effective tax rate..

Practicalities and opportunities

- Compliance – detailed review of all overseas subsidiaries still required but needs modifying to the new exemptions
- Operations of the regime – how much certainty will the UK tax authorities be able to offer (eg clearances?)
- Potential areas of opportunity include
 - Supply chain business models held under the UK where autonomous from the UK (ie no / minority of UK SPFs)
 - Non-UK intellectual property (IP) planning
 - Finance company strategy – using Luxembourg?

Contact us to discuss the implications on your business further

3.2 General Anti-avoidance Rule

We are in a period of informal consultation on the proposal for a General Anti-avoidance Rule (GAAR). The consultation is intended to assist HMRC in better understanding how a GAAR might operate in practice. Any formal announcement as to adoption or not will presumably be made on 21 March (Budget day 2012). Although the Government has decided not to proceed in Finance Bill 2012 with legislation in respect of listed tax-avoidance schemes, it did note that Budget 2012 should see a further update on the Government's anti-avoidance strategy for high-risk schemes.

3.3 Case law developments

Exit charge

The ECJ has now issued its judgement in the *National Grid Indus BV* case. The Court ruled that the Netherlands corporate exit tax arising on the transfer of seat of a company from the Netherlands to the UK infringes the freedom of establishment. Companies which have been or may be subject to exit tax due to a movement from one EU/EEA Member State to another may wish to consider the possibility of challenging the tax charges applied on exit under the principles set out in the *NGIBV* case. This will include the position on exit from the UK, where the implications for each of the various provisions will need to be considered separately.

Other Rules

In relation to other ongoing litigation, the *FII GLO* is scheduled to be heard in the Supreme Court in late February 2012. Developments are also expected soon in the case of *MJP Media Services Limited* (intra-group transactions and loan relationship rules), *First Nationwide* (whether dividends were capital or income), and *Anson* (in respect of the point on the transfer of assets abroad legislation).

3.4 HMRC initiatives

Although the litigation in the *Marks & Spencer* case is ongoing, HMRC has indicated that it is now seeking to progress any outstanding enquiries on cross-border group relief claims. In their reply, businesses will need to consider not only the application of the technical issues covered in the litigation but how their own particular facts and circumstances compare to those in the case. Businesses may also wish to review what other alternative approaches may exist to address overseas losses.

Looking forward, HMRC has asked for views and experiences of the UK's double tax treaties and the priorities for the UK's network of double taxation agreements in the forthcoming financial year. There is, therefore, an opportunity to feed back concerns to HMRC.

There has been extensive press coverage following the release of the Public Accounts Committee report 'HMRC 2010-11 accounts: Tax disputes'. The press interest (and continuing protest activism) is likely to continue into the New Year and it will be interesting to see how HMRC's proposal "to make further improvements to governance and to increase transparency about the work with large business" impacts upon its dealings with taxpayers.

Finally HMRC has established a number of pilot schemes. Perhaps key amongst these is the phased introduction of Real Time Information (RTI) which will commence with employers who are participating in the initial pilot scheme from April 2012. HMRC envisages remaining employers will join RTI from April 2013, which means that the timetable for employers remains extremely tight.

3.5 Effect of the Euro zone crisis

One of the areas of division in Europe, the financial transaction tax, is also likely to be the subject of further developments.

3.6 Proposed Changes to R&D Tax Credit Program

HMRC released commentary and draft legislation on December 6th, 2011 regarding certain R&D tax credit measures that are expected to be part of the Finance Bill of 2012. Consultations have been going on since November 2010. While a number of items have been raised as part of this process, draft legislation has been now been introduced in the following areas:

For the SME scheme only:

1. The R&D tax relief uplift increases from 100% to 125% beginning April 2012, giving all SMEs a total tax relief of 225% on allowable R&D expenditures.
2. For all expenditures that have been incurred after April 1, 2012, a reduction in the rate of a payable tax credit will be 11%.
3. The removal of vaccine research relief for SMEs also occurs after April 1, 2012.
4. The abolition of the PAYE/NIC limit will have effect for accounting periods ending on or after 1 April 2012.
5. The clarification of what constitutes a company being a 'going concern' will apply to claims for relief made on or after 1 April 2012.

For the SME and Large company schemes:

1. The removal of the £10,000 minimum expenditure will have effect for accounting periods ending on or after 1 April 2012.
2. The revised definition of an "externally provided worker" will have effect for expenditures incurred on or after 1 April 2012.

The current draft legislation associated with the Finance Bill of 2012 allows all SMEs to generate approximately a 25% tax credit on eligible R&D expenditures. Approximately only 7,000 SMEs filed R&D tax relief claims in 2011 and with the proposed draft legislation, this is now becoming a program that SMEs cannot afford to ignore or ensure they are claiming as well as maximizing all eligible projects, activities and costs.

Furthermore, many SME's in a tax loss position could not receive a cash refund due to the restriction PAYE amounts.

Essentially the government is proposing to move to an "above the line" scheme, meaning the scheme will be converted to a credit system where the credit will be recognized as a reduction in costs. This means that the credit will be given income recognition and not just an adjustment to the tax provision.

However, the most important aspect under the new proposed rule is that an "above the line" credit typically requires the **company receive the benefit of the credit within a reasonable period**. Thus it is anticipated there will be a cash benefit to those companies previously precluded from realizing the benefit due to losses, **which would also include Large Scheme companies in loss positions**.

The R&D tax relief program should be something every company developing new products or processes needs to seriously consider.

3.7 Capital Allowances Returns

At Budget 2011 the Government announced it could consult on a number of proposed changes to the current Capital Allowances regime.

Having completed the various consultations, Her Majesty's Revenue and Customs (HMRC) issued a consultation response document on 6 December 2011 and also issued proposed draft legislation to effect these and other changes that would be introduced in the Finance Bill 2012.

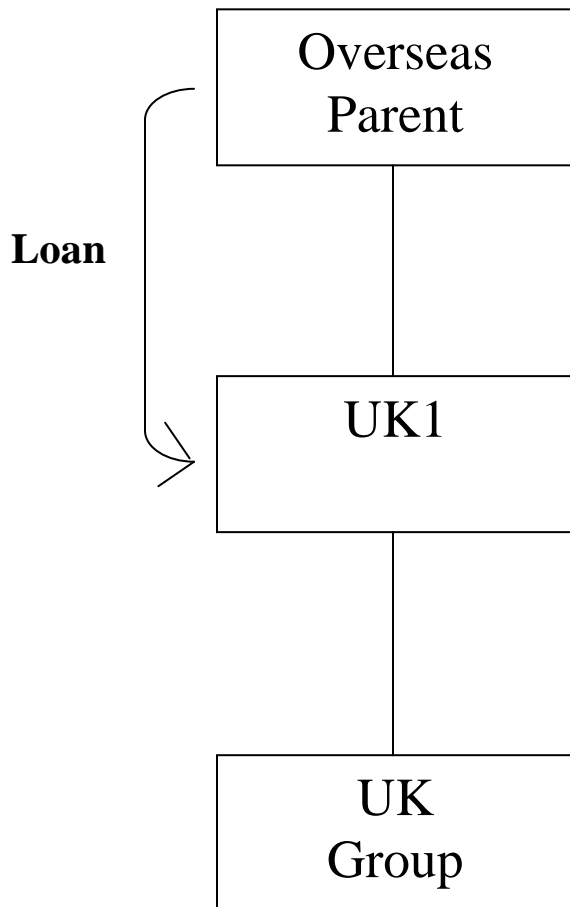
The responses and changes announced cover:

- Claiming Capital Allowances on fixtures
- An additional technical change; Business Premises Renovation Allowances (BPRA)
- Enhanced Capital Allowances within certain designated Enterprise Zones
- Restriction on Capital Allowances available for equipment that attracts a Feed in Tariff or a Renewable Heat Incentive
- Abolition of Capital Allowances on safety at Sports Grounds and Flat Conversion Allowances

Please see the attached link for further information.

<http://tpctax.com/wp-content/uploads/Capital-Allowance-Rules-changes-Nov-2011.pdf>

3.8 Debt Pushdown Overview: Financing a UK entity



For UK companies, interest on a loan may potentially be disallowed where:

The loan relationship has an “unallowable purpose” (s441 – formerly para 13)

The terms of the loan are not arm’s length (Transfer Pricing provisions)

The company is thinly capitalized (thin capitalization provisions)

The interest cap applies

The scheme uses a hybrid and results in a double deduction, deduction without corresponding receipt or an amount received in a non-taxable form (anti-arbitrage provisions)

Interest payable to connected companies will generally be deductible on an accruals basis

4. VAT and Custom Tariffs

4.1 UK Developments

The ECJ is due to release the Advocate General's Opinion in the *Littlewoods* case on Thursday 12 January 2012. This UK referral from the High Court concerns the availability of compound interest in respect of overpayments of VAT due to a breach of Community law.

Any taxpayers who have incurred VAT on deal costs in recent years are likely to be aware that two important cases are due to be heard by the Court of Appeal this year. The *Airtours* case is due to be heard in February 2012 and involves a dispute in relation to a refinancing and the deduction of VAT on the costs of an independent business review. The *BAA* case is due to be heard between January and May 2012 and relates to the deduction of VAT on costs incurred in relation to an acquisition. In both cases, the Upper Tribunal found in favour of HMRC, reversing the First-tier Tribunal decisions, holding that VAT was not deductible on the costs at issue.

With effect from 1 January 2012, broadly, where a business provides benefits subject to VAT to employees under a salary sacrifice arrangement, it will be required to account for output VAT on these supplies (unless it falls within the 'grandfathering' provisions). This follows HMRC's revised policy announced following the ECJ judgment in the *AstraZeneca* case. Any businesses that provide salary sacrifice/flexible remuneration packages may wish to review the VAT implications of all existing and planned future arrangements if they have not already done so.

4.2 European VAT rate changes for 2012

A number of European countries have increased their VAT rates for 2012 or announced planned increases.

- While it was initially announced that Cyprus would increase its standard VAT rate (from 15% to 17%) from January 2012, the proposed implementation date has been postponed to 1 March 2012 (with official confirmation expected shortly).
- The Czech Republic increased the reduced rate from 10% to 14%.
- France has increased the reduced rates from 5.5% to 7%.
- Hungary increased its standard rate from 25% to 27% on 1 January 2012 (reduced rates have not changed).
- Hungary now has the highest standard rate in the EU, being the first member state to have a rate exceeding 25%.
- Ireland's standard rate increased from 21% to 23% on 1 January; however, there are no planned changes in the reduced rates or the scope of zero-rated sales.
- The VAT rate applicable to the supply of e-books in Luxembourg is the super reduced rate of 3% (there is no longer a distinction between supplies of books in hard copy or digital format).
- The Netherlands and Portugal have amended the scope of the reduced rates.
- The Swedish VAT rate for restaurant services and catering services is reduced from 25% to 12%.

In addition to the above changes to the standard and reduced rates, Poland is discussing an increase in VAT rates to 24%, 9% and 6% as from July 2012. The Czech Republic is planning to introduce a flat rate scheme under 17.5% as from January 2013, and Italy will likely increase the VAT rates to 23% and 12% as from September 2012, with a further increase of 0.5% as from January 2013

4.3 EUROPEAN AND UK VAT (INDIRECT TAXES) WEBINAR

True Partners Consulting (UK) LLP is holding a 40 min webinar on European and UK VAT on 14th February at 2pm UK GMT and on 24th February at 430pm UK GMT - our experts will covers the following areas:

- Overview of main forms of indirect tax
- Key concepts and issues
- Outline of the UK VAT system
- European Developments
- VAT and Transfer pricing interaction – Intercompany charges
- Case studies

Who is this webinar most appropriate for?

- All UK companies and partnerships with employees including ‘Not for Profit’ sector; and
- Any overseas company with operations in the UK and Europe

Target Audience: CFO’s, Finance Directors, Financial Controllers, VAT teams, International Tax teams, EMEA Tax controllers.

Key client issues:

- Need to comply with ever increasing compliance obligations
- Need to maximise VAT recoveries
- Need to reduce negative impact of VAT on cashflow
- Aim to minimise HMRC Risk rating and reduce risk of penalties
- Desire to simplify administration

Questions for audience to consider as part of the webinar:

- Are you confident that you are accounting for the right VAT at the right time?
- Are you recovering all VAT which you are entitled to reclaim?
- What steps have you taken to train staff to ensure compliance and awareness of major issues?
- How VAT-efficient is your current arrangements?
- When did you last review your current policies and procedures?

Presenters from UK and Germany.

4.4 CUSTOMS DUTY TARRIFS

As with any New Year, there are changes to the Customs Tariff and many new suspensions implemented (and old ones expired), which makes this an ideal time to undertake a review of importing activity and make sure that your imports are subject to the lowest legally acceptable rates of duty, and paid at the latest possible time. There is now a total of almost 1700 different tariff codes which are subject to a suspension of the full rate of duty, which provides a huge incentive for importers to make sure that duty is not being paid unnecessarily.

How do the changes to the tariff and suspensions impact on importers?

Changes to the tariff and introduction/expiry of suspensions affect the rate of customs duty payable – suspensions in particular reduce the duty rate in most cases to zero. However, if your products are eligible for a zero duty rate, but are misclassified, then you could be overpaying customs duty

unnecessarily – and what is worse, if this has been the case for any length of time, you might never be able to recover it. The good news is that a customs duty review can identify such instances, and then we can guide you as to the steps needed to recover any overpaid duties as well as to correct the position going forward.

So, what are you waiting for? Call us now to book a free initial consultation, and get your 2012 off to the right start!

5. TRANSFER PRICING

5.1 Intangibles

The combined effects of the proposals for the Patent Box and changes to the R&D credit mechanism mean businesses of all sizes are starting to consider the location of their intangibles and the activity that gives rise to those intangibles. Detailed consideration of the activities being carried out is required, along with assessment of the transfer pricing implications to ensure that businesses are best placed to access the available benefits.

5.2 Merger and Acquisitions: IP relocation post acquisition

As the appetite for merger and acquisition transactions grows again it is important to consider the transfer pricing implications of (and the opportunities that exist from) exploiting intellectual property (“IP”) in a tax efficient manner.

There are 4 common approaches to dealing with IP after a merger or acquisition.

- Cross-licensing: Retain the IP in the existing companies and enter into licensing arrangements between the various affiliates.
- IP Sale/Centralisation: Determine the value of the IP and sell to another affiliate – perhaps one created specifically for the purpose.
- Cost sharing.
- R&D activities.

To discuss this further and implications on M&A transactions, please contact us.

5.3 Supply Chain and the Shifting of Functions and Risks – Transfer Pricing Considerations

Businesses and supply chain restructuring can allow significant tax savings opportunities and a reduction in the overall effective tax rate through:

- Creation of a Principal in a lower tax jurisdiction.
- The Principal earning a share of profits with lower relative profits in the remaining entities.

To discuss this in detail, please contact us.

5.4 European Issues

Recently, Italian tax authorities have increased their audits in this area and we would recommend that you have the appropriate transfer pricing documentation and policies in place which meets their transfer pricing requirements. If you require any assistance, or would like us to review this, please contact us. We have assisted a number of international companies with documenting their transfer pricing policies in Italy.

Hungary has introduced new transfer pricing rules and have significantly amended their rules.

Macedonia has introduced new guidelines.

5.5 Transfer Pricing and FIN 48

Listed here are some issues to consider:

- Having transfer pricing documentation in place does not mean that no reserve is required under FIN 48. TP documentation is put in place to satisfy compliance requirements and thus avoid potential penalties in case of income adjustments. The FIN 48 requirement is to determine the risk or likelihood of an income adjustment and measure the amount of that adjustment, if an adjustment is in fact determined to be more likely than not. Often, the methodology that one would apply for FIN 48 purposes would differ than those applied for purposes of documenting the arm's length nature in a compliance scenario;
- Many times we have come across documentation where the analysis would not meet the MLTN standard and, furthermore, the documentation does not tie to the transactions (or Units of Account) reported in the tax return (Forms 5471/5472 and equivalent);
- Many view transfer pricing as a zero sum game and assume that there is always a reciprocal or off-setting adjustment on the other side of the transaction and you therefore don't have to worry about transfer pricing for financial statement purposes. However, such an offsetting adjustment would require action to be taken in the form of, for example, amending a tax return, or asking for competent authority relief. If competent authority comes into play, the issue of measurement becomes much more complex.

These are just a few of the issues to consider and I would be happy to answer any questions or discuss any of your client specific issues.

5.6 TRANSFER PRICING WEBINAR: Transfer Pricing Risk areas for Tax Reporting and statutory reporting

True Partners Consulting (UK) LLP will be holding a 40 min webinar on Tuesday 21st February 2012 at 3pm UK GMT.

The purpose of the webinar is to provide an overview and guidance to UK and European Financial Controllers, Finance Directors, In-house tax managers etc on a structured approach for the identification of transfer pricing risk as part of the audit of tax provisions (i.e. statutory accounts preparation and reporting of tax numbers).

The presentation will also focus on risk assessments for trading transactions.

Our presentation will involve specialists from our European affiliates.

Who is this webinar most appropriate for?

- All UK companies and partnerships with employees including 'Not for Profit' sector; and
- Any overseas company with operations in the UK and Europe

Please contact Abbas Sadak to reserve your place.

5.7 Italy Transfer Pricing Seminar – 8th March 2012

Manzoni Pagliero Vanz e Associati a Member Firm of True Partners Consulting International Network is holding a best practice and tax audit on transfer pricing seminar in Torino on the 8th March 2012.

Representations will be from various tax offices and also half of the session will be in Italian. We would recommend that you forward this to your Italian contacts. This will be a good opportunity to get up to speed with the transfer pricing issues in Italy.

The agenda is as follows:

15.00 – 19.00 Industrial Union Convention via Fanti 17 10128 – Torino

Program

15.00 – 15.30 Registration of Participants

15.30 – 17.00 Prof. Avv. Giuseppe Vanz

- The powers of the revenue and finance guard
- Managing verification
- Options subsequent to the closing of the audit
- The notice of assessment
- Options subsequent to the notification of claims

17.00 – 17.15 Coffee break

17.15 – 19.00 Affiliates of True Partners Consulting International Network

- Best practice and tax audit on transfer pricing in Italy and in selected foreign jurisdictions

Participation in the conference is free of charge.

6. Personal Tax Planning opportunities

While 'Tax doesn't have to be taxing' may be the key message from HMRC, positioning clients so that 'tax doesn't have to be' is the essence of the our proposition.

Our non-aggressive approach to tax avoidance is based on maximising statutory relief's contained within UK legislation, international double tax treaties and EU law.

Our solutions are subjected to rigorous quality control procedures stemming from robust opinions sourced from leading tax Counsel.

Our personal tax planning team specialize in advising owner managed businesses on a variety of profit extraction, property sale and succession planning techniques.

The tax efficient extraction of profits is the perpetual nightmare for all entrepreneurs.

Despite waves of recent anti-avoidance legislation following the well-publicised *Dextra* case [2005] UKHL 47, planning opportunities still exist in this arena if the correct structures are adopted coupled with accuracy in implementation.

We have a number of tax mitigation strategies which can assist in profit extraction whilst simultaneously minimizing the tax charge.

Whilst no one will argue that property development is highly profitable, it is also no secret that taxes associated with the industry are highly onerous.

Property developers have traditionally faced an uphill struggle to reduce their liabilities. Not surprisingly we have considered the issues at hand and are able to offer comprehensive advice in this area.

In essence, long standing tax treaties exist between the UK and other countries which enable property developers to work with offshore trustees and mitigate UK tax. In addition, profits can then be remitted back to the UK without further tax charge due to treaty protection.

Two of the most visible tax consequences of the recent rise in property prices are the widening of the inheritance tax net and the crystallization of huge capital gains. The net result is that Inheritance Tax is no longer just a concern for the rich, and Capital Gains Tax will bite on almost every sale.

Consequently, planning for death during life is now more pertinent than ever. The punitive 40% death duty has often been described as a 'voluntary tax' reflecting the ease at which it can be avoided. Capital Gains Tax is also of those taxes which can be comfortably planned around as long as clients give the tax consequences real consideration pre-sale rather than post-sale.

Income sheltering solutions have a proven track record of being highly successful in mitigating personal tax. Our specialists have a successful track record of advising high-earners such as Doctors, Dentists and Barristers.

Our advisors can advise on a variety of structures which minimise the income tax burden on working professionals.

The wealth generated within the UK by the non-dom community, coupled with the ever present lure of competing low tax regimes are well understood by the Treasury.

UK Plc's need to attract and retain high net worth non-domiciled individuals presents a range of tax-planning challenges and opportunities. Our specialist knowledge enables such persons who are resident in the UK to clarify their non-dom status and to then establish offshore structures within which assets can be held in a tax efficient manner.

Contact us for a free consultation to discuss these ideas further.

7. UK PAYROLL SAVING OPPORTUNITIES

7.1 Payroll Advisory

We have assisted a number of companies nationwide on payroll saving opportunities, examples are as follows:

- Tax and NIC efficient expense allowances and Tax and NIC efficient child care;
- NIC Efficient pension contributions (Smart Pensions);
- Tax and NIC efficient Relocation Policies;
- Structuring termination packages tax and NIC efficiently;
- Using PAYE settlement agreements to avoid employee's NIC on vouchers and minor benefits;
- International NIC planning including 52 week exemptions from UK NIC; and
- Structuring contracts to ensure that workers can be properly regarded as self-employed for PAYE and NIC purposes.

The ideas involve converting pay currently liable to tax and NIC into a form that is exempt from PAYE and/or NIC.

Key client issues to consider as part of payroll mitigation:

- Desire to mitigate increases in payroll costs;
- Enhancing competitiveness relative to competitors;
- Recruitment and retention issues;
- Employer is keen to use non aggressive arrangements- advance HMRC Approval;
- Desire to simplify administration of remuneration package;
- Keen to explore elements of flexible benefits and explore strategies that can be applied to most types of employee

Questions to consider:

- What steps have you taken to manage your payroll costs?
- How tax effective are your current arrangements?
- How do you perceive your recruitment and retention issues compare with competitors?
- To what extent do you think employees value their remuneration packages?
- How are remuneration policies reviewed and remuneration packages reviewed?
- What do you understand by the term 'flexible' or 'cafeteria benefits'?

What are/were the key drivers of the current remuneration policy?

What is the likely future trend for employee numbers?

7.2 UK EMPLOYMENT TAXES WEBINAR

True Partners Consulting (UK) LLP is holding a 40 min webinar on Employment Tax Planning & Pitfalls on 7th February at 3pm UK GMT and our experts will discuss how UK employers can comply with HMRC requirements including the Senior Accounting Officer rules while minimising costs and administration.

Areas that will be covered will include:

- Employment Tax Compliance Reviews
- Drafting Expense policies to ensure compliance and minimise costs
- Mitigating that the risks of engaging self-employed consultants
- Structuring termination packages tax and NIC efficiently
- International NIC planning including 52 week exemptions from UK NIC and the impact of EU rules and
- Payroll savings involving converting pay currently liable to tax and NIC into a form that is exempt from PAYE and/or NIC including scale rate payments, pension contributions, car-parking, green travel, child-care etc

Who is this webinar most appropriate for?

- All UK companies and partnerships with employees including 'Not for Profit' sector; and
- Any overseas company with employees working in the UK

Target Audience: CFO's, Finance Directors, Financial Controllers, Payroll team, HR teams.
For additional information please see link attached:

<http://tpctax.com/uk-webinar-employment-tax-planning-pitfalls/>

To register, please contact Abbas Sadak. Dial in details for the webinar will be provided nearer the time.

8. US Tax Accounting US Tax filings

8.1 Accounting for Income Taxes for US tax purposes

CHALLENGE

In the current environment of increased scrutiny and risk – due in parts to Sarbanes – Oxley compliance requirements, companies must be prepared to support tax provision computations, positions, tax reserves and disclosures. Any small error in basic computations or a slight lapse in controls for an FAS 109’s interconnected processes can create a myriad of exposures. Implementation of internal controls under Sarbanes- Oxley, as the need to adopt FIN 48 in the area of accounting for deferred taxes, have placed greater emphasis and resource demands on already strained tax departments. Applying FAS 109 in the context of international, state and local jurisdictions adds complexity to a confusing and evolving area.

SOLUTION

True Partners has unparalleled expertise and depth in accounting for income taxes. Our team of experts consist of tax professionals with experience inside corporate tax departments and consulting firms. We will work side-by-side with your company’s tax department to target your FAS109 risks and enhance your processes. Whether yours is a smaller growing firm or a multinational corporation, we will help you develop disciplined methodologies and solutions, including specific transaction reviews, to independently verify your company’s tax position. Services include:

- Assisting European Finance teams with tax reporting for US tax purposes
- Deferred tax analysis
- Sarbanes Oxley design, documentation and testing

8.2 Federal and State compliance

TPC Compliance Tune – up: Team, tools and technology to support your in – house resources to reduce risk whilst enabling better business processes.

TPC Compliance Tune-Up is designed to analyze and manage important compliance issues across the organization through proven services that help meet our state and federal compliance requirements. With a solid team of tax professionals, we offer a standardized methodology along with most up-to-date technology to tailor services that support your in-house resources. This includes compliance mitigation services to help alleviate conflicts, allowing you to focus on more important business issues. Whether providing an integrated solution or individual services, working domestically or through global alliances, we deliver high-quality, customized compliance products.

We currently assist a number of PLC companies with US Federal and state return filings from the UK and our US teams regularly meet with our clients to go through issues on the US tax filings.

To discuss this further please contact us.

One of our US tax specialists will be willing to meet with you and assist you.