

Tax planning - Considerations and attitudes

Task 1: Advise your niece who is considering tax planning for her business.

What factors should be considered?

- Seek advice from a specialist - including on what to consider!
- The fit with the owners' goals and plan for the business?
- Is it legal?
- Does it work as intended?
- Will you be able to sleep at night? Your attitude to risk.
- Will it be fair to all shareholders / employees?
- Is it morally acceptable?
- Any impact on the businesses reputation, necessitating a spend on PR to offset it.
- The tax saving vs. the time required to implement it; the opportunity cost.
- Will it raise your profile with HMRC so that you are subject to other enquiries?
- How much does it cost in fees (accountant and 'scheme' provider, if applicable)
- Can I insure the cost of the fees in case it doesn't work? (Never the tax payable).
- Uncertainty over aggressive tax planning you have done might put a potential buyer off.
- Your national insurance record.

Experiences and war stories

- Make sure you record things properly and that your paperwork is as good as possible.
- Remember that measures to reduce profit can reduce the sale price / value of the business.
- Does the perception of the public alter their behaviour; Starbucks & Amazon?

Task 2: Quiz on attitudes to tax planning

Details of the quiz responses are overleaf.

Shipleys' business breakfast people

Please ask for a Godalming business breakfast team sheet or visit www.shipleys.com for more about our team and how they may be able to help you.



Steve
Foster



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Dey



Jane
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Martin
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Ken
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Cat
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Carol
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Wei Yin
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Please join our LinkedIn Group: Shipleys Godalming Business Club, for further updates.

Task 2 -Quiz- (attitudes to tax planning)

Working on your own, confidentially if you wish, please give your views on the following where:

1. This isn't tax planning! it's more like switching savings accounts to get a better rate of interest.
2. I would do this if it suited me and I think everyone should - those who don't are missing out.
3. I'm quite happy with this, but I can see why people might not feel comfortable with it.
4. I'm not comfortable with it myself, but I can see why other people would and it's their choice.
5. Totally unacceptable and morally abhorrent. Shouldn't be allowed. The same as tax evasion in my eyes.

Questions		Answers				
		1	2	3	4	5
1	Putting my savings into an ISA so that the interest and gains are tax free.	40%	57%	3%	0%	0%
2	Paying family members from my business to use allowances and save higher rate tax.	3%	20%	47%	27%	3%
3	Making regular gifts out of my income to my children to reduce my estate for IHT	10%	73%	17%	0%	0%
4	Buying EIS shares in a business to save income tax and defer a capital gain	8%	62%	31%	0%	0%
5	Claiming higher rate tax relief on my charitable donations	10%	48%	28%	14%	0%
6	Entering into an arrangement designed to mitigate stamp duty when I move house. I have to pay a fee related to the tax saving to the people who manage the arrangement.	0%	3%	23%	60%	13%
7	Taking a loan from my business to avoid the PAYE.	0%	10%	34%	48%	7%
8	Participating in a complicated tax planning arrangement involving offshore companies but approved by Counsel, to reduce my effective income tax rate to less than 10%	0%	7%	13%	63%	17%

Comments

- The situations in questions 1, 3,4, & 5 are examples of tax exemptions or incentives introduced by government with the intention of influencing taxpayers behaviour.
- Payments under question 2 will only be allowed as a tax deduction if they are for the purposes of the business.
- The stamp duty mitigations arrangements in question 6 are normally subject to the disclosure of tax avoidance (DOTAS) procedure under which HMRC are notified with details of those who have participated in the arrangements.
- Employees receiving a loan in Q7 will normally be subject to a benefit in kind charge and the employer may have to make a payment equal to 25% of the loan to HMRC, until it is repaid (S.455 CTA 2010).