

## HMRC gets tough

In February, HMRC issued new proposed guidelines for modernising the rules under which it works with agents. An agent is someone, such as an accountant or financial adviser, who gives tax advice. The new proposals include two interesting points.

1. Agent liability
2. Access to records

Under the present rules, agents are not liable for any “wrongdoing” that their clients may commit following their advice. For example, many people



often say to us: “If I give my son a gift, how will the revenue know? I’ll just keep quiet about it to avoid inheritance tax.” This clearly is “wrongdoing”, i.e. an action intended to deprive the revenue of tax which is due. This action, if identified, would result in severe penalties. If an agent said to the client: “If you make a gift, and don’t tell the revenue, you may get away with it,” that statement would then involve the agent in joint liability, the penalty for which would be at least what the tax would have been.

This part of the legislation is a good idea and will help clamp down on those, shall we say, less than honest agents who encourage clients to break the law. The second issue is more concerning.

For access to records, HMRC would normally need a court order to obtain an agent’s records. However, under the new proposals, HMRC would

### TAX YEAR END

IMPORTANT

Use it or lose it – See p4 for details



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*Polestar is a trading style of Positive Solutions a large (community of 1,700 advisers), truly Independent, Financial Advice company, supporting it’s advisors clients across the UK. To be truly independent means we look at the whole market working on your behalf. We are not limited to a small number of product providers and you decide how you pay for our services either by direct fee or product commission or both.*

have the rights to an agent's records without a court order. This means that HMRC can ask at any time to see the agent's records with a view to collecting the maximum taxation. Of course there should be no real problem here, as the agents and clients would be working within the law. However, this right to access does go against general privacy

rights. If you are doing nothing wrong, why should someone from HMRC have the right to see where you keep your money, what you are doing with it, and how you are spending it!

It will be interesting to see how the potential legislation is amended as it goes through the consultation process.



## Time for a change

At the time of writing, the government has not called a general election. However, most commentators believe the 6th May is the most likely date for the government to go to the country. If that's the case, then we believe that most people should be making changes to their investment portfolios in anticipation of this event.

Managing investments is not an exact science. This is because the performance of investments is always a function of emotion (investments move because people think they will increase or decrease), and more importantly group emotion and perception. In his excellent book, *The Wisdom of Crowds: Why the Many Are Smarter Than the Few*, James Surowiecki explores how "group think" and "group emotion" shape decision making and events. It is only in understanding how the action of many can influence investment markets that you can start to achieve performance above that of the market.

In virtually every general election, the UK stock markets have performed poorly in the run up to election day. The subsequent performance of the markets has then been a function of the strength of the winner. Therefore, if the winning party is returned by a large majority, as happened in 1997 for example, the markets will surge following the result. If, however, the result for the winning party is marginal, resulting in a hung parliament, then the markets will recover slowly.

Of course, it is impossible to forecast the outcome of either the general election or the behaviour of the UK stock markets. However, it is clear that the markets will be relatively volatile over the next three months. Therefore, it is our belief that investors should move out of UK stocks for the next three to six months, with a view to returning following either a fall in the markets, or a settling down of the political picture. Clearly if either Conservative or Labour wins by a reasonable margin, then the markets will do well following the election. However, we do not believe this will be the case, and a narrow win or a hung parliament is the most likely result.

### **But where should the money go?**

Probably for most people, a mix of non-UK equities and gilts would be the best holding place for money moved out of UK equities. The most important point is to be ready to move back into the markets following any fall.

# Landmark case changes everything

Last month, *Gaines-Cooper v HMRC* changed everything for those hoping to avoid UK taxation by claiming to be non-resident. As with all things with the revenue, the straw that broke the camel's back was someone who pushed just too far.

HMRC IR20 guidelines set out that a non-resident was someone who has lived outside the UK for more than three years, spends less than 183 days in the UK in any one tax year with no more than 90 days in the country on average. However, these rules were drawn up for people who were genuinely non-resident and, unfortunately, too many people try to use the rules to avoid tax when really they should be paying it.

In the case of Mr Gaines-Cooper, he claimed that he was a resident of the Seychelles. However, he still retained a house in Henley-on-Thames, where his wife was living, and where he kept an art collection as well as his collection of guns. He was also sending his son to a public school in the UK. To me, this doesn't sound like the actions of someone who is non-resident. How many of you, for example, would have a different country of residence for your wife?

It is when the revenue sees these kinds of abuses to the rules, that the rules get changed, and now,

following the case, you can be recorded as a resident if you have any significant link to the UK. This has been firmly confirmed in HMRC 6, the new guidance notes.

## Inflation increases

The December inflation figures showed an expected rise, with the RPI jumping from 0.3% to 2.4%. The way that the figures are constructed means that the rise in VAT will be factored into the next twelve months of figures. This is clearly going to keep inflation relatively high for the next twelve months, although, the coming general election will certainly have an even greater impact, as the winning party are likely to implement their most unpopular, and probably inflationary measures, as soon as they come to power.

## Pension changes begin

Following the Pension Act 2007, and indeed earlier legislation, reform of the pension system begins in 2010.

The equalisation of pension ages starts in April with women's pensionable age being moved up to 65. Men will also be affected as concessionary travel and winter fuel payments ages are also increased.

The Qualifying period to earn a full State Pension will be reduced from the present 39 or 44 years to 30 years. This will significantly increase the number of people who will qualify for a full State Pension.

The benefits that widowers receive will also be brought into line with those of widows.

There are a number of additional changes regarding National Insurance Contributions, Adult dependency, Category B pensions and Inherited SERPS, which are far too boring and affect far too few people to comment upon here. If you want the full details, look at [www.direct.gov.uk](http://www.direct.gov.uk).

# TAX YEAR END – 5th April

## Important – Use it or lose it!

**HEADS UP** – the end of the tax year is fast approaching, if you are thinking of taking advantage of a particular allowance then NOW is the time to act!! Don't leave it to late as you might miss out.

If you need information on the following then please contact Ian

- Pension Contributions for Higher Rate Income Tax Relief
- Capital Gains Tax Allowances
- Venture Capital Tax Credits
- Enterprise Investment Scheme Tax Credits

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## New ISA Limits

From 6 October 2009, the ISA subscription limit will increase to £10,200 for anyone eligible to invest in an ISA who was born on or before 5 April 1960 (that is, who will be aged 50 or over during the current tax year). Up to £5,100 of the new ISA allowance can be saved in a cash ISA with one provider. The remainder of the £10,200 can be invested in a stocks and shares ISA with either the same or another provider. Alternatively, the full £10,200 can be invested in a stocks and shares ISA with one provider.

These higher limits will apply to all eligible ISA investors with effect from 6 April 2010.

### Example 1

An individual is aged 65. He has not opened an ISA in tax year 2009-10. From 6 October 2009 his ISA allowance will be £10,200. Up to £5,100 of his allowance can be saved in a cash ISA with one provider. The remainder of the £10,200 can be invested in a stocks and shares ISA with either the same or another provider.

Alternatively, the full £10,200 can be invested in a stocks and shares ISA with one provider.

### Example 2

An individual is aged 70. She has opened a cash ISA in 2009-10 in which she has subscribed £3,600. From 6 October 2009 she will have an ISA allowance of £10,200. She could save up to another £6,600 in ISAs. This could be up to £1,500 in the same cash ISA, or up to £6600 in a stocks and shares ISA with either the same or another provider, or a combination of both.

### Example 3

An individual's fiftieth birthday falls on 15 March 2010. He has opened up a stocks and shares ISA in 2009-10 in which he has subscribed £7,200. From 6 October 2009 he could save up to another £3,000 in ISAs. This could be up to £3,000 in the same stocks and shares ISA, or up to £3,000 in a cash ISA with either the same or another provider, or a combination of both.

# Best Savings Selection

To get the best from your deposit based savings you often need to move the money around. Use these rates to help you with your arrangements.

## Top Three No Notice Accounts without Bonus

Name	Contact	£1 Gross %	£500 Gross %	£1,000 Gross %
S'boro Investment	0845 4584522	n/a	n/a	2.76
West Bromwich BS	via branch	n/a	n/a	2.65
West Bromwich BS	0845 3300622	n/a	n/a	2.60

## Top Three Monthly Interest Accounts

Name	Contact	£1K Gross %	£2.5K Gross %	£5K Gross %
Coventry BS	0845 7665522	3.11	3.11	3.11
Firstsave	www.firstsave.co.uk	n/a	n/a	3.20
Newcastle BS	0845 6050022	n/a	n/a	2.91

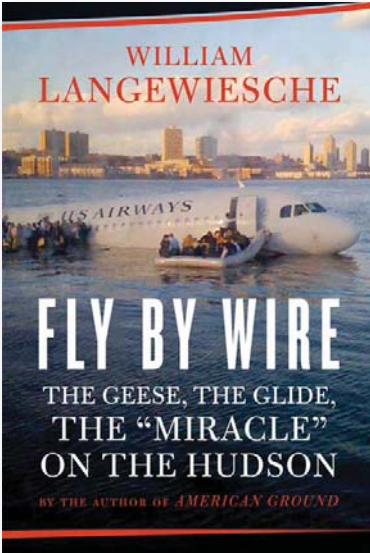
## Top Three Cash ISA's

Name	Contact	£1 Gross %	£500 Gross %	£1,000 Gross %
Birmingham Mids	0845 6022828		4.55F	
Santander	www.santander.co.uk	3.50 introductory offer for 6 mths		
Newcastle BS	0845 6050022		3.00 Introductory offer for 6 mths	

*Please check with the terms and conditions before opening any account. If in doubt consult with your financial adviser directly as the above are for information only.*

# Fly by Wire

by William Langewiesche  
ISBN 0141046740



This month's book is a short and enthralling read.

It is the story of how Chelsey "Sully" Sullenberger became a nation's hero after landing his Airbus A320 on the Hudson River, just five minutes into flight after the aircraft was hit by four Canada geese.

The book contains many interesting insights into the aviation world, as well as to how safe flying really is. In one section the author explains the process for testing engines when hit by a bird, which involves "firing" different-sized birds into a full-size working engine to see how it copes. Apparently the Airbus can handle birds of up to around 3.5 pounds in size. Unfortunately, Canada geese can be up to 10 pounds in size!

This is not as interesting as when NASA apparently wanted to test what would happen to the space shuttle if it were hit by birds when landing. At the time Boeing said that it fired chickens into their engines to test them, and sent NASA a "chicken gun" as they are called to do the same tests. After a week NASA asked Boeing to look at their tests because they were destroying the space shuttles. The attending engineer quickly established the problem. He said to NASA: "Well, when we fire the chickens at the engines, we defrost them first!"

## Ian Russell CERT DIP

Ian is the owner and principal of Polestar, a trading style of Positive Solutions.

Ian has over 10 years experience in financial services and is qualified to an advanced level in taxation and trusts (G10) and Pensions (AF3).

He works principally with private clients addressing their concerns around inheritance tax, investment (for growth or income) and retirement planning. Ian also completes a significant amount of Continued Professional Development each year, attending various seminars and conferences, on his client's behalf, so that they are always kept abreast of latest developments.

"We are proud to be a small, focused firm, because this means that we provide higher levels of personal care and attention to detail. This is why many of our clients, who previously dealt with Banks and larger advisory firms, have come to us. Our clients want to be treated as individuals, not numbers, to have a closer working relationship and to have someone they trust be available to them at all times."



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