

NEW TAX BURDEN FOR SMALLER BUSINESSES

Readers of the Chamber Viewpoint pages will recall our articles updating you on the progress of the Arctic Systems case over the last two years. The issue at stake was whether it is lawful for firms to pay less tax through the sharing of income between employed family members in the form of dividends on shares and the High Court decided that it is, or rather, was. – Read on!

The practice of “income shifting” between employed shareholders in small family businesses has been well established and accepted by the Inland Revenue for a long time, but the Government no longer approves of this excellent example of “tax enterprise,” which is especially helpful in saving tax for emerging entrepreneurs and, having lost its case last year in the High Court against Arctic Systems, it is intent on bringing in a new Income Shifting Tax in April to close what it now sees as a tax loophole and to raise an estimated £200 million a year in tax. This extra tax burden for small businesses will mean more money is taken out of the business to supplement income and consequently less investment will be put back into its development. It will also mean extra costs in professional tax advice, or tax penalties for errors made in tax self assessments.

Tax attack on enterprise again.

This change in tax law strikes at the very heartland of enterprise – the small business – just when the Government is counting on encouraging entrepreneurs to flourish helped by the work of its newly named Department of Business, Enterprise and Regulatory Reform, the former DTI.

What do you think about it?

Your Chamber of Commerce would like to know urgently what you think about this new tax so we can pass on to the Chancellor the views of our members in the South Hampshire region. Please email k.salomon-olsen@soton-chamber.co.uk or call 02380 206153. You can also write to your professional or trade association or your MP. You can also sign by 24 April the petition against the introduction of an Income Shifting Tax on the 10 Downing Street web site at <http://petitions.pm.gov.uk/IncomeShifting1/> which has already been signed by 4,460 people.

The information contained on these web pages is for general guidance only and is in no way a substitute for seeking professional advice on your specific circumstances.