

STRATEGIC TAX PLANNING

UK & International Tax Lawyers

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STRIPPED BOND TAX SCHEMES FAIL IN THE TAX TRIBUNAL

HMRC in their recent Spotlight 18 have highlighted 2 cases on income tax avoidance schemes sold by many banks to very wealthy clients up to 2004.

The cases are Malcolm Healey v HMRC [2013] UKFTT 176 (TC) and Philip Savva & Ors v HMRC [2013] UKFTT 211 (TC)

The reason for including these schemes in their Spotlight is to demonstrate their success in Court and to convince those who participated in and do not accept, that it has failed.

This is now an accepted part of HMRC strategy. It is an attempt to convince those *hold outs* not to waste further time and expense on lengthy litigation and to settle.

The cases were only decided recently but related to tax years nearly 10 years ago! Were the tax payers involved to continue to litigate, all the way to the Supreme Court (which HMRC will undoubtedly do), then that is another 3-4 year wait, plus huge further legal costs with little prospect of success!

The downside is that HMRC are not offering any incentives to the taxpayers on the amount of tax and interest owed. They are merely trying to suggest that the *vast majority* of those involved have settled.

Clearly, some of the investors are very wealthy. (Malcolm Healey is a near billionaire who made his money in Kitchens and Property). HMRC may also hope that the publicity of a tax case for such people may be a further deterrent. Malcolm Healey is on the Times Rich List and so has a *public profile*.

In both cases, the Judges gave short shrift to the arguments that the profits on the Bonds were an exempt Capital Gain and both decided it was taxable income!

So, what is the best way forward for Clients?

If Clients are involved in a tax scheme, we can advise them on the best way forward including ways in which they could minimise their settlement with HMRC and recover some or all of that money! Please contact Vikki or Beth at our offices below for further details of how we can help.

Strategic Tax Planning is a trading style of Stratax LLP

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