1.12. While this situation will probably be unusual, it appears possible that some businesses may have overseas pension schemes which may still be continuing to claim relief on the old basis without realising that the position has changed.
(ICAEW Tax Faculty writing in TAXline November 2007)

Duality of purpose: horses

1.13. The *McQueen* case has resulted in a helpful and favourable result for those involved in commercial sponsoring of competitors of sports activities. In McQueen, it was shown that the marketing advantage was not vague and uncertain but was clear and successful. There was evidence to demonstrate a direct correlation between sponsorship and the gaining of new clients.

1.14. The commissioner's view was that the expenditure had been incurred for the purpose of promoting the business and getting names and liveries into the public awareness. Although the taxpayer gained some personal satisfaction from competing in rallies, his preferred leisure activity was sailing rather than rallying and the private satisfaction of success on the rally circuit was an incidental benefit of expenditure, rather than its purpose.

1.15. It has been argued that it is the purpose that matters, not the effect. In many cases although there has been a benefit for the business, the taxpayer could not demonstrate that the main purpose was anything other than for private benefit.

1.16. Moving away from the sponsorship scenario, where equine activity is subsidised by an associated business, the other areas where HMRC are currently taking a very keen interest is that of horse businesses which do not produce a profit. This is especially the case where the proprietor has other income. The relevant legislation is now contained in s64 ITA 2007 onwards. There are two tests to be proven: the business must be carried on with a view to profit and must also be conducted on a commercial basis.
(Julie Butler writing on TaxationWeb 3.11.07)

Interest: late payments between connected companies

1.17. For corporation tax purposes, the taxation of profits and losses on loan relationships is governed by the rules in chap 2 part 4 FA 1996. Credits and debits under loan relationships are normally taxed or relieved in accordance with amounts arising in accounts. However, the normal rules are modified in the case of loan relationships between connected parties. One such connected party rule is in para 2 sch 9 FA 1996, which allows a debtor company a loan relationship debit on a paid basis rather than in accordance with its accounts, where interest payable to a connected party accrues but is

