

A recent case heard before the Lands Chamber "Linda Frances Chadwick and another (Hobart's Executors)" was won

by the taxpayer. This case highlights the importance of fighting genuine market value for figures for property valued at date of death, writes Julie Butler of Butler and Co.

In summary, Chadwick had obtained two independent valuations for Probate purposes which were challenged by the District Valuer. As the appellant had obtained valuations and acquired evidence in support of these valuations, the judge at the tax tribunal found in favour of the taxpayer.

With this victory for the taxpayer, inheritance tax (IHT) at stake was a relatively modest amount. The dispute between the valuation wanted by HMRC and that stated by the taxpayer was £25,000, therefore the total IHT at stake was only £10,000. There are many who might consider that this was a relatively low amount of tax over which to stand firm and debate the matter at lands tribunal.

The reality is that on farms and estates, for example where there is a dispute over the value of the property and eligibility for business property relief, there is often

Fight every decision

a "deal" offered by HMRC of a payment of IHT to settle the case.

Whilst this can be tempting to exhausted or confused executors and beneficiaries who want to "move on" and reach a conclusion, the "Chadwick" case emphasises the need to fight every decision where there are valid arguments and good evidence has been obtained, even if the tax saving is relatively modest.

Annual investment allowance (AIA) – plan for future purchases

If you are planning to purchase a large piece of plant and machinery, such as a new tractor, be sure not to miss out on maximising tax relief by planning your purchase to efficiently use the AIA.

For example:

- tractor purchase 05/04/2012 for £100,000. Falls in tax year 2011/2012 therefore tax relief permitted on £100,000 at 100%;
- tractor purchased 06/04/2012 for £100,000. Falls in tax year 2012/2013 therefore tax relief permitted on £25,000 at 100% and £75,000 at 18%;

- potential tax difference = up to £30,750!

Be sure that you are planning future plant and machinery purchases with a view to maximising your capital allowance claim.

Segregation of diversified activities

With all the recent changes to the tax system, thought needs to be given to ensuring that any activities in the trade as a whole that are particularly profitable are considered for potential incorporation into a limited company. This can result in a tax saving, and gives scope for income planning risk management.

Also, there are potential opportunities for simplification of VAT returns if there are currently any areas of trade that are dealt with under partial exemption rules.

VAT reclaim on furnished holiday lets

If you are considering building a furnished holiday let property there is now the ability to reclaim the VAT on the build costs under the same principle as you can reclaim the VAT on the self build of a private residential property.



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