

Newsletter

Dear Clients & Contacts

Seasons Greetings! The run up to Christmas has proven to be exceptionally busy for many clients. In addition to typical year end pressures it appears that Revenue Authorities around the world have tried to plug their respective financial black holes through increased taxes or tax amnesties (or both).

At SMP Partners we recognise that 2009 has been a challenging year for our clients but we have continued to offer our support and advice through these difficult times and we will be there to help you prosper in the future. It is widely anticipated that the world will start to move out of recession next year, however, when the dust has settled it will be clear that the environment in which we operate in has changed forever.

We have seen more developments in exchange of information in the last twelve months than in the last decade and it is clear in the future that our clients will need more robust and transparent structures that are properly implemented and administered. SMP Partners can help your clients with their tax and structuring requirements and our specialists teams can advise, implement and administer bespoke international structures that will be effective from a tax and legal perspective.

We thank you for working with us in 2009 and we look forward to working with you in the New Year.



Finally on behalf of all the staff at SMP Partners I would like to take this opportunity to wish you a very merry Christmas and a happy and prosperous New Year.

Steve McGowan
Chairman

December 2009 Issue 5

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Extension to registration deadline for New Disclosure Opportunity

Extension to registration deadline for New Disclosure Opportunity

HM Revenue & Customs ("HMRC") announced on 27 November 2009 that they are giving taxpayers with offshore investments more time to come forward under the New Disclosure Opportunity ("NDO").

The registration deadline has been moved to 4 January 2010. The original deadline was 30 November 2009. HMRC have stated the reason for the new deadline is that some banks need more time to contact their offshore customers.

The NDO is the last such opportunity for taxpayers to obtain favourable terms when they tell HMRC about offshore investments that they have never disclosed in the past. HMRC is currently receiving information from 308 banks in the UK about their offshore customers which will be used to ensure that everyone pays the right tax.

Our briefing sheets for the New Disclosure Opportunity and the Liechtenstein Disclosure Facility are available on our website: www.smppartners.com/news.asp

SMP Partners comment

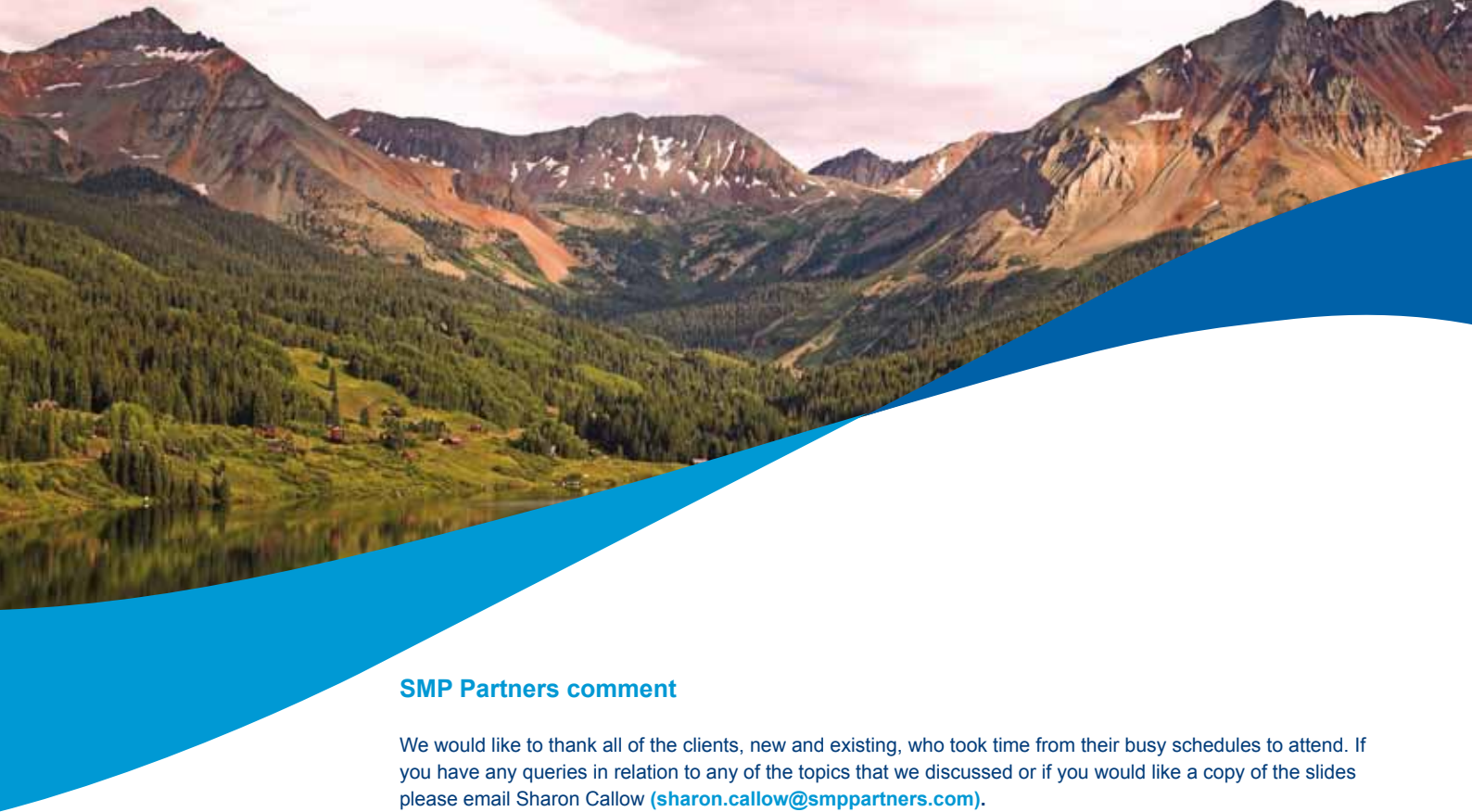
We welcome the extension to the registration deadline. If you or your clients are unsure whether the appropriate disclosures have been made in prior year UK tax returns, we would be delighted to assist and, where necessary, we can help them prepare and submit the NDO.

Swiss Conference 2009

We were delighted to be in Switzerland in November for our 16th Annual International Tax Planning Conference. Our topical presentations covered a wide range of subjects relevant to our industry and gave us an opportunity to introduce new products, such as the Incubator Fund, to our clients.

We were pleased to see so many familiar faces this year. We were also delighted to welcome all the new attendees this year, it was a pleasure to meet you and we look forward to working with you in the future. The feedback we have received about our 2009 Swiss Conference has been extremely positive and we would be delighted to hear any further feedback.





SMP Partners comment

We would like to thank all of the clients, new and existing, who took time from their busy schedules to attend. If you have any queries in relation to any of the topics that we discussed or if you would like a copy of the slides please email Sharon Callow (sharon.callow@smppartners.com).

VAT update

Significant changes have been announced to VAT legislation that is due to come into effect from 1 January 2010. With effect from that date the place of supply, in other words the place where VAT is due, changes for many business-to-business transactions such that the customer will account for any VAT rather than the customer charging VAT.

This change is supported by the introduction of EC Sales Lists, or recapitulative statements, for businesses supplying services to VAT registered customers in other EC countries. The frequency for such returns vary from country to country, but in the UK such returns are due in respect of calendar quarters and are due within 14 or 21 days of the period end, depending on whether paper or electronic returns are submitted. In addition, changes are due to take effect from 1 January 2010 in respect of the filing of EC Sales Lists for goods, in that returns will be due, in certain situations, on a monthly basis and will be due within the same 14 or 21 day deadline.

SMP Partners comment

These changes will have a significant impact on businesses involved in such transactions. If you have any VAT queries please contact Peter Duchars (peter.duchars@smppartners.com).

Irish Budget for 2010

The Irish Minister for Finance presented the Irish Budget for 2010 on 9 December 2009. The key features were:

Corporation tax

The 12.5% corporate tax rate will be retained and the Minister reiterated the importance of the corporation tax regime to Ireland's economy.

Taxation of Irish domiciled individuals

A new levy on Irish domiciled individuals was proposed by the Minister in his speech and further details are expected to be announced in the Finance Bill 2010.

It is intended that the Irish domicile levy will apply to Irish nationals or Irish domiciled individuals who are not resident in Ireland but whose worldwide income is in excess of EURO 1 million and whose Irish located capital is in excess of EURO 5 million.

It is proposed that the Irish domicile levy will be EURO 200,000 per annum although it is not clear when the effective date for the levy will be.

VAT

With effect from 1 January 2010 the standard rate of VAT will reduce from 21.5% to 21%. This effectively reverses the 0.5% increase that was introduced on 1 December 2008.

SMP Partners comment

We are pleased that the Irish Government has recognised the importance of the 12.5% corporate tax rate for the future of the Irish economy. The changes announced in the budget have no real impact on Irish Companies and therefore Ireland remains an attractive jurisdiction for trading and holding activities.

Transfer of statutory seat to Ireland

The Companies (Miscellaneous Provisions) Act 2009 was approved by the Irish parliament on 18 December 2009. The new rules will enable funds that are structured as corporate entities in other jurisdictions, such as the Cayman Islands, BVI etc, to transfer their statutory seat to Ireland. The new legislation has been introduced in anticipation of the EU's Alternative Investment Fund Managers Directive which if enacted will introduce certain restrictions for non-EU funds.

SMP Partners comment

This is a positive development for the Irish fund industry. The Irish will be hoping to attract those funds based in offshore financial centres, such as the Cayman Islands and BVI, who are looking to re-domicile.





UK 2009 Pre-Budget Report

The Chancellor of the Exchequer gave his Pre-Budget Report speech to the House of Commons on 9 December 2009. The major tax changes in the Pre-Budget Report include:

Bank Payroll Tax

Banks that pay a bonus exceeding £25,000 to a banking employee directly or through an intermediary will be subject to a new payroll tax. The Bank Payroll Tax will apply to banks, financial businesses and holding companies in banking groups, building societies, financial businesses and holding companies in building society groups and UK branches of foreign banks.

This tax will be 50% of the amount of bonus that exceeds £25,000 and will be payable by the bank and not the employee. The employee will still be subject to UK income tax on the gross amount of the bonus that they receive. The effective rate of tax on bankers' bonuses in excess of £25,000, if the payroll tax and national insurance are taken into account, will be 68% and if the employees tax and national insurance are included then the effective rate is increased up to 103.8%. The bank payroll tax may encourage banks to defer bonuses and this is in line with recent commitments made by the G20 countries.

The bank payroll tax will have effect from 9 December 2009 until 5 April 2010.

Corporation tax rates

The small companies' rate of corporation tax will be frozen at 21% for the next financial year (which commences on 1 April 2010). It had previously been announced that this rate would be increased to 22%.

The main rate of corporation tax will not change and will remain at 28%

Patent Box

A Patent Box will be introduced from April 2013 and will reduce the rate of corporation tax applying to patents. The introduction of the Patent Box will look to encourage investment and innovation by UK Companies. The new rules will not be announced until Finance Bill 2011.

VAT

The standard rate of VAT returns to 17.5% from midnight on 31 December 2009.

Controlled Foreign Company reform

It was announced that details of the new Controlled Foreign Company regime will be published in the New Year.

Taxation of foreign branches

It was also announced that there will be discussions regarding the possibility of an exemption for foreign branch profits of UK Companies. It should be noted that no firm commitment has been made to introduce the exemption.

Personal tax rates and thresholds

For the tax year 2010/11 all personal tax allowances and thresholds will be the same as for the current year however the top rate on income tax will rise to 50% for individuals with taxable income over £150,000.

Capital gains tax

The rate of capital gains tax for individuals has not changed and remains at 18%.

Offshore evasion

Following on from the New Disclosure Opportunity (which gives UK resident individuals with undeclared foreign accounts or assets an opportunity to regularise their tax affairs) HM Revenue & Customs ("HMRC") have launched a new consultation document on how to reduce offshore tax evasion by individuals. The consultation includes proposals to legislate so that taxpayers are required to notify HMRC upon opening a new bank account in certain jurisdictions. The consultation proposes a separate penalty regime for non-compliance in relation to offshore matters. HMRC is also reviewing the information it receives in respect of non-resident trusts. HMRC have stated that these proposals will not apply to UK resident non-domiciled individuals who have elected to benefit from the remittance basis of taxation.

National Insurance Contributions ("NICs") rates and thresholds

For the tax year 2010/11 NICs rates and thresholds will generally be the same as for the current year. For the tax year 2011/12 NICs rates will be increased by 1%.

Inheritance tax

The inheritance tax threshold will be frozen at the current level of £325,000 for any chargeable transfers of value made. It had previously been proposed that the inheritance tax threshold would be increased to £350,000 for the tax year 2010/11.

SMP Partners comment

There were no real surprises in the 2009 Pre-Budget Report however the freezing of the small companies' rate and the proposals to exempt foreign branch profits are positive moves for UK Companies and the fact that the capital gains tax rate for individuals has not been increased is good news for individuals. However, no substantial attempt was made to tackle the growing Government deficit therefore further cuts in spending and/or tax rises must be expected in the New Year.





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