



Private Client Law Bulletin

'POT'

Revenue's latest consultation on pre-owned assets tax

Since the Government announced the introduction of pre-owned assets tax ("POT") in their pre budget report back in December last year, there had been considerable concern amongst taxpayers (or up until then non-tax payers!) and their advisors.

The Revenue published its latest consultation document on 16th August. This concentrates on how the tax charge will be calculated for land, chattels and intangible assets discussing valuation issues and the points to be considered within the operation of the pre-owned assets tax regime.

The detail of the provisions is still ongoing despite the legislation bringing in this tax already having received Royal Assent. Everyone (including the Revenue) is still trying to assess what will be caught by the tax and the most recent 'discussions' have involved gift and loan trusts and discounted gift trusts.

The consultation period ends on 18th November and the Revenue will publish draft regulations and guidance shortly after this. The regulations will be made final early in the New Year. Further interesting times will no doubt be ahead when dealing with the Capital Taxes Office in Nottingham which has been given overall responsibility for implementing this legislation and carrying out the compliance work despite having previously dealt with Inheritance Tax and not Income Tax matters.

It is easy to think of scenarios which may now be caught by the pre-owned asset rules. Unfortunately, there are no obvious blanket solutions to the problems raised and each client's circumstance will have to be reviewed on its own facts. An arrangement which is currently set to trigger the charge on 6th April 2005 might be restructured but without caution and careful consideration, any "unscrambling" of a trust may trigger an unexpected Capital Gains Tax charge, Inheritance Tax charge or even Stamp Duty Land Tax charge! One wonders whether the latest Inheritance Tax legislation is going through a process of consultation or complication.

If you would like an informal chat or require any specific advice in connection with the material contained in this bulletin, or on any other Private Client issues, please contact the Liverpool office on 0151 600 3451 or the Manchester office on 0161 836 8800.

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