



The Chartered Tax Adviser Examination

November 2008

PAPER III

INTERACTION OF TAXES

TIME ALLOWED - 3¼ HOURS

For your convenience, the questions in this paper may be broadly categorised as follows:

Question 1	General Practice
Question 2	Individuals, Trusts and Estates
Question 3	Large Companies
Question 4	Indirect Taxes
Question 5	Indirect Taxes

- You should answer any **TWO** out of the five questions.
- Each question carries equal marks.
- Start each answer on a new sheet of paper, write on one side only and submit each answer in a separate folder as supplied.
- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.
- Marks are specifically allocated for presentation.
- Candidates who answer any law elements in this paper in accordance with Scots law or Northern Ireland law should tick the appropriate box on the front of each answer folder.

1. You work for Joanne Nichols who owns a firm of Chartered Tax Advisers. One of the firm's clients, Mrs Mary Harrell, has contacted the firm as she is planning some changes in her life and wishes to understand the tax implications of what she is proposing. She recently met with Joanne to discuss the future. Joanne has requested that you prepare a report for Mrs Harrell considering the taxation issues arising from the issues discussed at the meeting. The report will form the basis of subsequent discussions on the most appropriate options for her to take from a tax perspective.

The following exhibits are provided to assist you:

EXHIBIT A Notes of meeting between Joanne Nichols and Mrs Mary Harrell.

EXHIBIT B Schedule of usage relating to the private residence as supplied subsequent to the meeting.

EXHIBIT C Extracts from files.

You are required to prepare the report for Mrs Harrell considering the taxation issues arising from the matters discussed at the meeting with Joanne. You may assume that a colleague is preparing the 'background facts' part of the report and that accordingly you should simply leave a gap in your report for this part to be inserted.

Marks will be allocated as follows:

Disposal of assets	(28)
Cessation of business	(15)
Relocation overseas	(7)
Total	(50)

EXHIBIT A

Notes of meeting between Joanne Nichols and Mrs Mary Harrell

Meeting date	2 November 2008
Present	Joanne Nichols (JN) Mrs Mary Harrell (MH)
Subject	Future plans

MH is a widow who runs an unincorporated antiques business from rented premises. She makes up her accounts to 31 March each year. She owns a house in which she resides. She has always owned it in her sole name, even though she lived there for a number of years with her late husband. It has a large garden and she also owns a field adjacent to this property which may have development potential. This is separated from the garden by a small pathway (a public right of way) and a large hedge.

MH has decided she would like to retire and feels that there are various options to consider. One of her sons works with her in the business and may wish to carry on with the trade although the current downturn in trade has made him consider that this may not be a particularly good idea. She thinks that it is unlikely that she will be able to sell the business but the landlord has indicated he will allow her to surrender the lease. She has found someone else who might be willing to buy the lease alone but this is only likely to be for around £15,000. She would hope to sell off the stock over a period of time prior to cessation, although she might keep a few bits. It would be her intention to cease sometime during 2009.

MH also wants to sell her house as she feels the property is too big for her. The total plot of land is 1/4 of a hectare (including the footprint of the house), with the field being a further 1/3rd hectare. The house and garden is worth around £750,000 currently. She has been renting out a single room in the house but she has never told JN this and so this income

Continued

1. *Continuation*

has never been put on her tax return. The rental commenced around three years ago and she has rented to the same lady since then with the rent being £70 per week. MH is concerned that she should have declared this for tax purposes.

She also wishes to understand whether any tax would be paid on the sale of the property as she has not lived in it throughout the time she has owned it. It is agreed that she will send in a schedule of its use to be considered in preparing the report and a sale date of April 2009 will be assumed for the purposes of the computation.

MH has been approached by a developer in relation to the field. He is prepared to pay MH £30,000 for an option to purchase the field if planning permission can be obtained. With planning it is likely to be worth around £500,000 (from which the option money would be deducted).

MH is considering whether to go and live nearer to her daughter who is resident in Spain. If she did this, she would probably buy a small house in the UK which would be let out in the short term, so that she had somewhere to live if she ever decided to return here. If she does move to Spain, she is not convinced that she will wish to remain outside the UK indefinitely.

EXHIBIT B

Schedule of usage of private residence

April 1969:

Inherited from mother. The property included the house, the current garden and the field.

May 1969 – October 1972:

Lived in property.

November 1972 – April 1987:

Rented out property. MH and husband bought a property close by to live in whilst their children were growing up as this was not a large enough property.

May 1987 – September 1992:

Occupied property with husband.

October 1992 – May 2000:

Rented out property whilst her husband was working overseas.

June 2000:

MH returned to property following the death of her husband the previous month and she has lived there ever since.

MH has always owned the property in her sole name.

No significant capital expenditure has been incurred on the house during this time; all costs have been for routine maintenance.

Continued

1. *Continuation*

EXHIBIT C

Extracts from files

Mrs Mary Harrell: Born 1942
Widowed 5 May 2000

Valuations: property owned by MH

House and gardens

Probate value agreed 1969 (from records)	£3,200
Market value at March 1982	£35,900

Field attached

Probate value agreed in 1969	£500
Market value at March 1982	£4,500

Details of lease

The lease on the property used in the antiques business was acquired on 1 April 2005 for 15 years at a premium of £50,000.

Deductions of £2,400 per annum have been claimed against profits in relation to the premium under s.61 ITTOIA 2005.

Details of unincorporated business

The only tangible assets of the business are the lease held by Mrs Harrell, stock and cash. There are only low levels of debtors and no significant creditors. The business commenced on 1 April 2001 and accounts have been made up to 31 March each year.

2. You have recently commenced to act in connection with the taxation affairs of Chris and Elen Stornay. You have dealt with all money laundering matters and have a signed letter of engagement on file.

They have two children, Kate and George, who are aged 20 and 24 respectively. They are both in relationships but neither is married. Kate also has a young daughter aged 18 months.

EXHIBIT A shows the current estate valuations together with the annual income received and **EXHIBIT B** shows a history of recent gifts.

The development land is awaiting planning permission after which the valuation shown is likely to rise substantially. Depending on the taxation costs involved, this land may be transferred for the benefit of the children to reduce the values of assets held by Chris and Elen. The land is at the far end of the estate and adjoins a local road.

Chris and Elen were originally from South Africa where they intend to return in about ten years time following their anticipated retirement from activities in this country, when they will both be about 70 years of age. Elen has recently been in correspondence with HM Revenue & Customs regarding her domicile and **EXHIBIT C** shows her summary position.

They currently live in Dorset in premises that originally housed their conventional farming enterprise but some ten years ago they ceased that trade and diversified. The pig buildings are now converted into stables for horse livery, the lambing barn is now used for the indoor storage of caravans, and the cattle barn is let out for dog training. About 80 acres of the land is let out on annual grass let agreements and the rest is let out for exercising horses.

You are required to:

- 1) **Write notes for your manager prior to a forthcoming meeting:**
 - (a) **showing the chargeable assets in the estates of Chris and Elen which are potentially liable to Inheritance Tax.**
 - (b) **Indicating any steps you consider they should take to mitigate future tax liabilities (not limited to Inheritance Tax).**

(15)
- 2) **Indicate, with reasons and by reference to case decisions, the country in which you consider Elen is domiciled for the purposes of taxation and indicate the taxation treatment accordingly relevant to her.**

(15)
- 3) **Write a letter to Chris and Elen regarding their proposal to transfer the development land for the benefit of the children indicating the taxation implications of either an outright gift or a gift into a discretionary trust.** (20)

Total (50)

2. Continuation

EXHIBIT A

Estate values and annual incomes

	<u>Chris</u>		<u>Elen</u>	
	<u>Value</u>	<u>Income</u>	<u>Value</u>	<u>Income</u>
	£	£	£	£
Main residence including flat and annexe	550,000	6,500	550,000	6,500
80 acres on annual grass let agreements	320,000	23,000	320,000	nil
Development land with hope value	500,000	nil	500,000	nil
Remaining land used for horses and dogs	75,000	20,000	75,000	nil
Caravan storage barn	50,000	3,000	50,000	nil
UK stocks and shares	150,000	4,500	150,000	4,500
UK bank accounts	100,000	5,000	100,000	5,000
South Africa bank accounts	nil	nil	45,000	1,750

EXHIBIT B

Summary of Recent Gifts by Chris and Elen

	<u>Chris</u>	<u>Elen</u>
<u>One-off gifts:</u>		
November 2006 to Kate	£100,000	£100,000
January 2007 to George	£100,000	£100,000
<u>Annual gifts:</u>		
Each 6 April to Kate	£3,000	£3,000
Each 6 April to George	£3,000	£3,000

EXHIBIT C

Extract from a letter from Elen relating to domicile

I was born in South Africa on 26 June 1947 and have a domicile of origin in South Africa because both of my parents were domiciled there from birth. I lived in South Africa with my parents throughout my minority and I still maintain family, personal and social links and indeed I am a member of a burial society and take regular holidays in that country.

I was married in South Africa on 6 May 1974 to my South African domiciled husband.

I first came to the United Kingdom in 1978 because of the political, social and economic insecurity and instability of South Africa. I intend to return to South Africa when I retire provided the political, social and economic conditions in South Africa have become secure and stable.

I have a small amount of income arising in South Africa from investments that I do not remit but I do not own any land or property there.

3. Babylon Ltd is a highly profitable UK incorporated trading company which is a 90% subsidiary of a US incorporated and resident company, Artemis Inc. Artemis Inc had another UK incorporated subsidiary, Chaeops Ltd, which it sold in April 2008.

The tax director of Babylon Ltd resigned during the year ended 30 November 2008 and there are significant tax issues that need to be resolved. Your firm, Alpha & Beta, has been engaged as tax advisers to Babylon Ltd. Robert Whiteside, the UK finance director, has provided the information in the following exhibits to assist you:

EXHIBIT A: Group structure charts at 30 November 2007 and 30 November 2008.

EXHIBIT B: Extracts from minutes of a recent board meeting of Babylon Ltd.

EXHIBIT C: Extracts from a due diligence report prepared in advance of the acquisition of Rhodes Ltd in April 2008.

You are required to prepare a report for the finance director which should:

- 1) **Explain the likely UK taxation consequences for the worldwide group arising from the information provided in respect of the year to 30 November 2008 and comment on areas where additional information may be required.** (40)
- 2) **Recommend actions for consideration that may mitigate or reduce UK tax liabilities, interest charges or penalties.** (10)

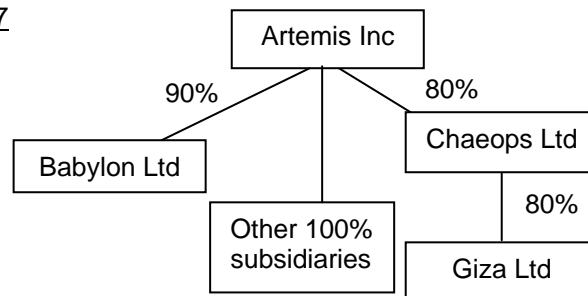
Total (50)

NOTE: You are not required to comment on non-UK tax consequences.

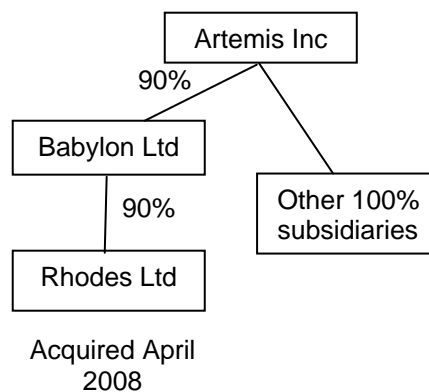
EXHIBIT A

Worldwide Group Structure

30 November 2007



30 November 2008 (post disposal of Chaeops Ltd)



Continued

3. *Continuation*

EXHIBIT B

Extracts from minutes of a recent board meeting of Babylon Ltd

Meeting of the Board of Babylon Ltd

Date: September 2008

Location: New York offices of Artemis Inc, USA

Attendees: J Ryman (US resident)
B Tilehurst (US resident)
H Widemire (US resident)
J Jackman (UK resident)

Apologies: R Whiteside (UK resident)

Financial issues

Results for the third quarter have been excellent with pre-tax profits of £500 million on total sales of £3 billion; the company has averaged growth of 12% in the last three quarters. It is noted that the disposal of the shares of Chaeops Ltd in April 2008 at market value has permitted the company to concentrate on Babylon's core trade activities.

The auditors have advised that Babylon Ltd is thinly capitalised as the debt:equity ratio post acquisition of Rhodes Ltd is 2:1. The board is concerned about tax issues in general and it is noted that the late filing of tax returns in recent years is unacceptable.

Marketing and business development

A recent paper commissioned from strategic consultants has identified significant opportunities for growth following the disposal of Chaeops Ltd. These will be discussed at a separate meeting of the business development committee next month.

Legal

Babylon Ltd has engaged Alpha & Beta as taxation advisers to assist with the ongoing taxation issues.

We have been contacted by an accountancy firm offering one-off tax planning solutions and payment of fees will be contingent on success in reduction of Corporation Tax payable.

Employment

Current senior recruitment needs include a tax director and a head of operational finance.

Continued

3. *Continuation*

EXHIBIT C

Extracts from a due diligence report prepared in advance of the acquisition of Rhodes Ltd

Introduction

Rhodes Ltd is incorporated and tax resident in the UK.

The Artemis group is planning to purchase 90% of the shares in Rhodes Ltd through its 90% holding in Babylon Ltd. The remaining shares are to be held by private investors.

It is understood that the vendors of Rhodes Ltd have insisted on a share sale.

Rhodes Ltd ceased trade in March 2008 following financial difficulties; however, it is the proposal of Artemis Inc that Rhodes Ltd should re-commence the same trade in April 2008.

Financial

Rhodes Ltd has access to valuable customer lists and an extensive distribution network across the UK. The company has suffered from poor management strategy in recent years. Rhodes Ltd was once a market leader and despite recent poor performance, retains 20% market share in the UK. Competitive threats have emerged from overseas and the Rhodes brand has fallen substantially in value in the past two years.

Intellectual property

It is noted that Artemis Inc is contemplating the use of the Artemis brand name in the UK market serviced by Rhodes Ltd. Rhodes Ltd has made losses in recent years, however, as noted above, the distribution channels in the UK combined with a strong brand name may assist in reviving profitability.

Funding issues

Babylon Ltd will finance the acquisition of Rhodes Ltd through an intra-group loan from Artemis Inc. This may create FOREX issues which will need to be managed. The loan will carry interest at 15% per annum.

Tax history

It is noted that despite poor trading performance, Rhodes Ltd has an excellent tax history with timely filings and no open years of enquiry or assessment. PAYE and VAT audits were concluded in 2007 and no material weaknesses were identified.

4. You act as the tax manager for the firm ZYX Chartered Tax Advisers. The tax partner, Ian Black, has received a letter (**EXHIBIT A**) from Paul Orange, the director of finance of the client company, Zeta Holdings Ltd. Zeta Holdings Ltd is the holding company for a large group of companies, which includes an offshore captive insurance company.

Zeta Holdings Ltd has recently purchased an independent chain of motor dealers in the North of England called East Newtown Garages Ltd. Ian Black has also been sent an e-mail (**EXHIBIT B**) by Percy White at East Newtown Garages Ltd concerning various VAT issues. Finally, he has been forwarded details from Charlie Bannerman, also from East Newtown Garages Ltd, about arrangements for MOT testing (**EXHIBIT C**).

You are required to prepare a technical briefing report for Ian Black in order that he may respond to Paul Orange of Zeta Holdings. The report should address all relevant tax issues and include reference to any relevant case law. (50)

(19 marks will be allocated to Paul Orange's queries about insurance policies.)

EXHIBIT A

Letter to Ian Black from Paul Orange

Zeta Holdings Ltd
Commercial Street
London
EC1 1AA

30 October 2008

Ian Black
Tax Partner
ZYX Chartered Tax Advisers
High Street
London
WC1 TN99

Dear Mr Black

East Newtown Garages Ltd

As you know, we have recently acquired the garage chain, East Newtown Garages (ENG). We have concern over some tax issues with which we would like your assistance.

Insurance Policies

The newly acquired company has always offered extended warranties and mechanical breakdown insurance in conjunction with vehicle sales and we are keen to minimise the incidence of Insurance Premium Tax (IPT) and the amount of irrecoverable VAT in connection with these supplies.

First, as my knowledge of IPT is limited, I should like you to provide me with a brief background to the tax, with particular reference to motor dealers.

Second, we are keen to look at planning structures and I understand there have been a number of case law developments in recent years, not all of them successful. I should be grateful for some outline advice in this area, together with recommendations on which schemes we should explore further.

Continued

4. *Continuation*

Various VAT issues

We have a few VAT issues which require your assistance. I have asked Percy White, Head of Finance at East Newtown Garages, to write to you about these issues, and I will also forward you some internal correspondence from Charlie Bannerman, Service Manager of East Newtown Garages, about MOT testing.

I look forward to hearing from you about all the above issues.

Yours sincerely

Paul Orange
Director of Finance

EXHIBIT B

E-mail to Ian Black from Percy White

To: Ian Black – ZYX Chartered Tax Advisers
From: Percy White – East Newtown Garages (ENG)
Subject: Various VAT Issues
Date: 31 October 2008

Dear Mr Black

Paul Orange of Zeta Holdings has asked me to alert you to any contentious VAT issues we have.

1) Pool car

All employees in the service department are allowed the use of a pool car, which staff use to provide lifts to customers and to collect purchases of parts and spares where necessary. The pool car is insured only for business use, is kept at the garage all the time and employees are not allowed to take it home. ENG recovered the VAT on the purchase of the car.

We have an employee called Bert Green who works in the service department. Bert lives very close to the garage in East Newtown, and walks to work each day. He does not own his own car, I believe. Despite instructions to the contrary, there is a possibility that he uses the pool car for 'incidental' trips to buy cigarettes etc. Also, he is always one of the first to arrive each morning and he may even use it overnight from time to time.

I am concerned about this issue and would like you to let me know the full tax consequences and identify the risk, if any?

2) Part exchange transactions

East Newtown Garages (ENG) occasionally assists customers with car deals. A customer may offer a secondhand car in part exchange for a new vehicle purchase, in conjunction with a finance deal. However, where the value of the car is such that it fails to reach the minimum deposit required by the finance company, ENG may accommodate the customer by agreeing to a higher notional price for the part-exchange car. I do not believe there is any detrimental effect on the overall deal. However, I am not altogether sure, and I would appreciate your detailed analysis here.

Continued

4. Continuation

From time to time we allow staff to purchase secondhand cars from stock. For instance, in a recent transaction, we acquired a secondhand car from a private individual in part-exchange for a new car. We allowed £10,000 for purchase and subsequently incurred £600 plus VAT on replacement parts and valeting. The stock item is not one that we would sell easily and a staff member has offered to pay £10,500 for the car. What would be the full VAT position here?

I should be grateful for your help.

Regards

Percy White
Head of Finance

EXHIBIT C

Memo to Percy White from Charlie Bannerman

To: Percy White
From: Charlie Bannerman
Subject: MOT Tests: Challenge from the VAT man
Date: 28 October 2008

Dear Percy

We have just had a visit from the local VAT officer. He has been asking about the existing arrangements for MOT testing. These are as follows:

- We are not authorised and do not carry out MOT testing of vehicles at any of our garages;
- This is essentially a commercial decision because there is not much money in doing so;
- When customers ask for an MOT, we arrange for these to be conducted by a third party testing station;
- Each of our garages always use the same third party testing station in its locality;
- We deliver and collect our customers' cars from the third parties for a fee of £10 (including VAT) which also includes an administration charge;
- The testing stations always charge our garages a fee of £44, which is the maximum statutory fee payable; I am told that the testing stations always charge this amount to their own customers;
- Our garages always charge the same fee of £44 to our customers;
- We raise separate invoices to the testing stations for our administration fee and to our customers for the recharged MOT cost;
- We do not net off the amounts paid to and received from the testing stations.

We have always carried out these arrangements since our last VAT visit about five years ago (although the prices have changed). The VAT officer now says we are doing it wrong. He said something about 'back to back' contracts and said we were making a secret profit on each MOT. He wrote yesterday to say we have 21 days in which to respond, otherwise he says he will raise an assessment for under declared output tax. He is planning to go back three years. We do not understand how he arrives at his arguments or why we are doing anything wrong.

I think we are in need of some urgent advice here.

Regards

Charlie Bannerman
Service Department Manager

5. You are a tax manager at Harvest Moon, Chartered Tax Advisers. Your tax partner, Sandy Pearlman, has sent you an email (**EXHIBIT A**) requesting your assistance on various issues.

You are required to:

- 1) **Respond on Sandy's behalf to the letter from the Chamber of Commerce (EXHIBIT B); and** (7)
- 2) **Prepare a letter to Eric Bloom (see file note at EXHIBIT C) which includes any additional areas which Sandy should consider before accepting the possible professional appointment with Stalk Forrest Group.** (43)

You are not required to comment on the direct tax implications of any of the proposals.

Total (50)

EXHIBIT A

Email from tax partner

To: Suzy.Charles@harvestmoontaxadvisers.co.uk
From: Sandy.Pearlman@harvestmoontaxadvisers.co.uk
Date: 5 November 2008

Subject: Presentation in Chingstein

Suzy,

As you know, I recently gave a presentation for the Chamber of Commerce in Chingstein (a country not in the EU). The presentation was part of a larger day, covering trading in the EU, and I covered the Customs Duty and VAT implications of importing into the Community.

I have just received the enclosed emailed letter from the Chamber of Commerce (See **EXHIBIT B**) and I wonder if you could deal with it on my behalf.

Generally, the presentation seemed to go well and I had an interesting discussion afterwards with the managing director of a company based out there (Stalk Forrest Group) that is looking for some assistance. I have prepared a file note (See **EXHIBIT C**) from the notes I scribbled during the conversation and I would be grateful if you could draft a letter from me which addresses his issues.

Hope the enclosed makes sense. Let me know if you need anything further.

Regards

Sandy

Continued

5. *Continuation*

EXHIBIT B

Letter from Chamber of Commerce

BY EMAIL & POST

Chingstein Chamber of Commerce
ME 262
Dharma Way
Chingstein
4 November 2008

Mr S. Pearlman
Harvest Moon Tax Advisers
La Vern
Hightown H9 1AD
England

Dear Sandy

TRADING IN THE EU

I am writing to thank you for your recent seminar which proved extremely useful and illuminating to our members. I have already had very positive feedback in respect of the session and I hope it will lead to a great deal of work for your organisation.

I note from Eric Bloom at Stalk Forrest Group that you had a good discussion with him over lunch regarding their proposed expansion. I believe this could be a good source of work for you in the future. As you are probably aware, in our country we generally take a 10% introductory fee in respect of all work referred by us and I should be grateful if you would bear this in mind if you do act for him.

In the question session following the presentation, you made some comments about the introduction of Authorised Economic Operators in the EU which has sparked some interest subsequently. I wonder if you could provide me with some brief further details with regard to this area to supplement the handout you provided. It does not need to be anything too detailed at this stage, as the interested parties can always come back to you for more information. Some of the delegates do have establishments in the EU and were interested to know whether or not to apply for this.

Thanks once again.

Allen Bouchard
Chief Executive

EXHIBIT C

File note of meeting with Eric Bloom of Stalk Forrest Group

DATE: 5 November 2008
SUBJECT: Notes of Discussion

The following notes record a discussion with Eric Bloom, managing director of Stalk Forrest Group on 26 October 2008 at the Chingstein Chamber of Commerce.

Stalk Forrest Group is based in Redcap, Chingstein. It has been established for a number of years and has a total turnover equivalent to £50 million. At present, the vast majority of this turnover is generated within Chingstein, though there is a small level of exports to neighbouring countries (all outside the EU). Its main activity is the supply of meat products. The meat is generally organic and sourced locally in Chingstein.

Continued

5. Continuation

To complement the meat product, Stalk Forrest Group expanded, about three years ago, into the supply of refrigeration machines (and replacement parts) for meat storage. The meat is stored cool as opposed to frozen, though again this is something that they are considering for the future. He estimates that the turnover from the refrigeration division is approximately £5 million (which is included in the above £50 million). If they do expand into the EU (and possibly the US), he sees this as an increasingly important aspect of their activities.

At the moment they have an exports manager who is responsible for obtaining orders from the EU. They are not sure at this stage whether they will appoint someone locally in the future, but will see how it goes with the present arrangements for the time being. It is most likely that they will trade into the UK but could make sales anywhere within the EU. It is thought that the major trade will be sales to higher quality restaurants, but they are also considering supermarket chains for the home meat market and possible use in pies and other meat products. This is seen as a secondary marketing objective at the present time though, as the primary aim is to concentrate on the quality end of the market.

They are also uncertain as to whether there will be a permanent establishment in the UK, or possibly elsewhere in the EU, though Mr Bloom indicated that in order to fulfil orders quickly they would be likely to maintain a refrigerated unit, probably in the UK, which would hold sufficient levels of stock. The export manager hopes that they will sell £13 million into the UK in the first year. It is feasible that some of these sales could go elsewhere in the European Union, though the meat is not as popular elsewhere at present. They do not wish to over commit at the moment as they see the UK as a good testing ground for expansion into the US. Consequently they are thinking that the UK may be set up as a logistics centre, which handles shipments to elsewhere in the EU, and the US for any initial transactions over there. They do not intend at this stage to set up a separate UK subsidiary company but again, this is something that they would look at in the future.

Mr Bloom does not know too much about the Customs Duty and VAT requirements of trading in the EU, hence the reason for attending the conference but from our discussions he wants us to act as his tax representative. I said I would look at this and come back to him on it. His export manager was not able to attend the conference due to illness and Mr Bloom thinks it would be useful if we could provide them with details of the Customs Duty and VAT requirements that they would need to comply with. Also they were especially interested in any reliefs that might be available as this is an area that they have not researched as yet. They have taken some advice from a local firm in Chingstein but Mr Bloom was not very confident about the accuracy of this. It is quite possible that they would look to move from this firm in the future to one such as ours that has an international framework. At the moment, however, it would just be a case of advising on this one aspect of their operations. At this stage we do not need to consider the direct tax aspects of the transactions, though I pointed out to Mr Bloom that this is something that should be done in the near future.

Like most businesses at the moment they are keen to maximise cashflow and he seemed interested in the warehousing section of the presentation. This was an aspect that was discussed at some length over lunch in general terms though as a layman Mr Bloom did not fully appreciate some of the points, but thought his export manager would benefit from this. Ultimately they are looking to launch a major drive into the US but this is probably 2-3 years away, depending upon the level of success here.

I said that on my return to the UK, I would write to him on the various points discussed.