

## Have you got the banking blues??

Pay tax early and ensure your capital stays safe with the Inland Revenue.

Obviously, the major concern for our clients in the current banking crisis is the safety of their capital deposits with banks and building societies.

A significant number of clients are sending their 2007/08 tax payments to the Inland Revenue early to move the funds out of the banking sector and to the relative safety of the Treasury.

There are however two problems you may encounter if you choose to pay your tax early:

If there is no tax outstanding on your self assessment account HMRC may simply refund the payment back to you. This can happen even if a letter is sent with the payment asking that no refund be made.

There is no interest accruing to payments made in advance of the due date.

Is there a better way to safeguard your tax payments?

Yes – you can purchase Certificates of Tax Deposit. These allow tax payments to be made on the due date whilst depositing the funds with HMRC now. The advantage of these certificates is that you hold onto them personally and accrue interest at the same time.

Under the Certificate of Tax Deposits scheme HMRC will accept Deposits from people liable to United Kingdom taxes. The Treasury issues receipts for these Deposits under Section 12, National Loans Act 1968. These are called Certificates of Tax Deposit.

HMRC pay these Deposits into the National Loans Fund. Both:

- the Deposit
- its interest

will be held as a charge on the National Loans Fund, supported by the Consolidated Fund of the United Kingdom.

You can make Deposits to pay your own liabilities. Also:

- Personal representatives may make Deposits for payment of liabilities due on, or from, a deceased person's estate.
- Trustees may make Deposits to pay trust liabilities

The first Deposit you make must be for a minimum sum of £500. Any further Deposit must be either:

- for at least £250
- enough to bring the amount you hold on Deposit up to at least the £500 minimum, if the amount you hold has dropped below that sum

Deposits of less than £100,000 may be made by cheque.

If you would like to know more about making such a deposit please contact your relationship partner or Amanda Simpson, the firm's tax manager on 0115 955 55 00.