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Eight completely useless tax tips

Eight ways to avoid paying tax that will be of no use to you at all.

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Eight completely useless tax tips

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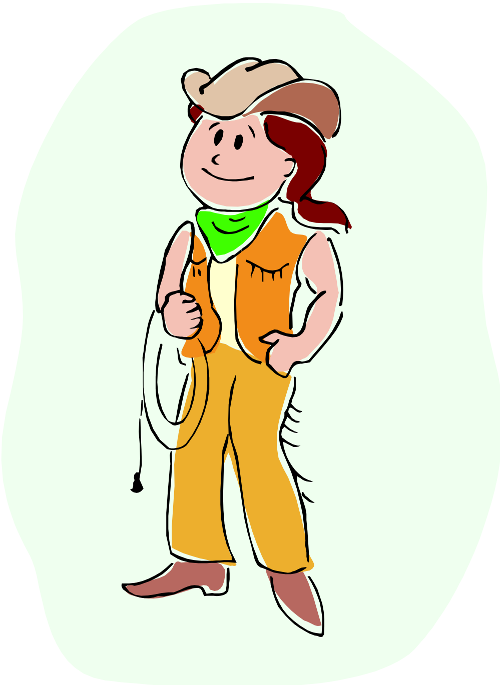
1 Choose your supplier of goatskin



If you sell children's clothes where more than one fifth of the area is covered with goatskin, make sure the goats came from Yemen, Tibet or Mongolia.

Under Value Added Tax Act 1998 Sch 8 Group 16, children's clothing is zero-rated. But Note (2)(d) excludes garments trimmed with fur. Note (3)(c) explains this includes goatskins, except from these three countries.

If the rate of VAT is 20% and you sell your goat-skin trimmed kid's outfit for a VAT-inclusive price of £120, you save £20 – provided you are VAT-registered, that is.

2 Shoot yourself on 26th November

You are entitled to a whole year's personal allowance in your year of death under Income Tax Act 2007 s41(1).

The allowance is £7,475 for 2011/12 and £8,105 (proposed) for 2012/13. You should have earned enough by 26 November from the start of the tax year on 6 April.

You can shoot yourself just before you are paid for the month, such as on 26th if paid on 27th. This avoids class 1 national insurance which is personal under Social Security Contributions and Benefits Act 1992 s6(1) and so is unpayable for the month in which you die.

And if you gave away all your property more than seven years earlier, there is no inheritance tax to pay on what you leave behind, because of Inheritance Tax Act 1984 s3A(4).

There is, however, one big practical disadvantage with this tip.

3 If you own 32000 acres for venison, buy a helicopter

If you own 32,000 acres of land in Scotland which you use for producing venison for sale, you may claim VAT input tax on the cost of buying a helicopter where access would otherwise take 1½ hours by boat.

This decision was made by the first tier tax tribunal in the case *Mark Ziani de Ferranti. TC 1288 [2011].*

At para 93 of the case report, the tribunal states that this case has nothing to do with playing the barrel organ on the public highway in Netherlands, on which matter the European Court of Justice ruled in the case *Tolsma v Inspecteur der Omzetbelasting Leewarden. ECJ [1994] STC 509.*

4 Invite strangers to the company's Christmas party

An employer is allowed to spend £150 per person attending a Christmas party under Income Tax (Earnings and Pensions) Act 2003 s264. If this limit is breached, the whole amount is taxed.

Sub-section (4) refers to "persons attending it (whether or not they are the employer's employees)" so non-employees can reduce the cost per head.

Suppose the firm spends £3,000 on a party and invites 20 of you. That is £150 each, so the party is tax-free. But if the sales director gets drunk and the firm has to spend £100 on a hotel room for the night, the cost breaches £150 a head, and you could each have a bill for £30 or more.

The answer is to drag someone off the street to push the cost per head back under £150. They might even be grateful for a vol-au-vent and glass of wine.

5 Live on the moon

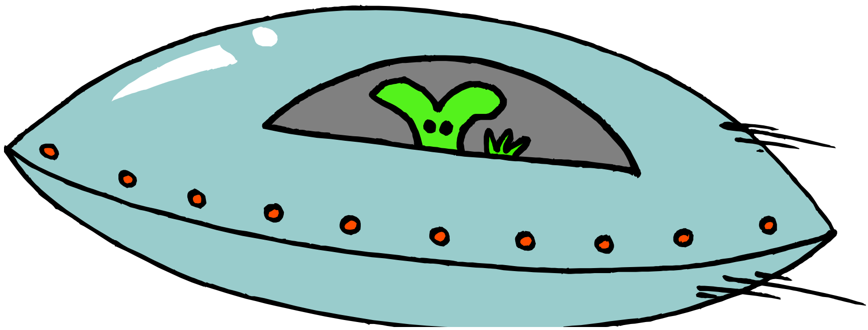
You are generally only liable to pay UK tax if you are resident in the UK for the tax year.

If you live on the moon permanently, this will establish you as not UK resident, and not ordinarily resident.

As such, all your earnings on the moon will avoid UK income tax except to the extent that you remit them to the UK. (There is no UK/Moon double taxation treaty.)

Your travel to the moon can also be tax-subsidised as you may use the proceeds of business assets to claim roll-over relief under Taxation of Chargeable Gains Act 1992 s152, provided the proceeds are invested in a qualifying asset listed at s155. Class 3 of these qualifying assets includes spacecraft and launch vehicles.

6 Go back to 1841 as a dirty vicar



Income tax has been charged every year since 1842, so going back to 1841 in a time machine means you will avoid paying income tax completely. You also avoid national insurance (introduced in 1912), capital gains tax (1965) and VAT (1973).

Instead, you may pay window tax for another 20 years at the rate of 8 shillings (40p) for up to six windows and £2, 16 shillings (£2.80) for ten. You can avoid this by bricking up the windows.

You also pay silverware tax (until 1890), carriage tax (until 1869), dog tax (until replaced by the licence in 1867), fire insurance tax (until 1869), and racehorse tax (until 1874).

There was also a soap duty until 1853, and a hairpowder duty to about the same time for which clergy were exempt. So you can avoid both by becoming a dirty vicar.

7 Become a king or ambassador

If you live in the UK but work as a consul of another state, your income is exempt from Income Tax (Earnings and Pensions) Act 2003 s300(1).

Goods that you import are also exempt from Value Added Tax under VAT directive EC/2006/112.

Similar tax concessions can be obtained by being crowned king of a foreign country. Details are in the DIPPRIV tax manual.

8 Switch from kangaroo meat to ostrich

Food for human consumption is zero-rated for VAT under Value Added Tax Act 1994 Sch 8 Group 1.

As far as an animal is concerned, it is zero-rated if the animal is normally eaten as food. VAT notice 701/15 explains that live kangaroos are standard-rated as their steaks are not normally eaten even though they are edible by humans.

From 1 April 1995, ostriches are regarded as for human consumption and so are zero-rated. So are their eggs.

Sadly, Fosters lager is subject to alcoholic liquor duty and VAT.

And if I know enough to write this rubbish, I know enough to help you.

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Robert Leach

specialises in:

- **writing on tax and payroll**
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His website www.robertleach.co.uk includes a free tax dictionary of more than 20,000 terms, a news blog, and free articles.