

## **SCIs and benefit in kind in the UK - The latest Position - May 2007**

You may have seen reports in the Press reporting on a Budget initiative by the Government issued on 21 March 2007 to remove at a future date the threat of benefit in kind assessments on individuals who own foreign secondary homes through corporate vehicles, eg SCIs.

The Government has announced that no benefit in kind charge would be made on individuals for any private use of property abroad purchased through a foreign company, and therefore, by assimilation, an SCI. When, and if, enacted, this will have retrospective effect.

Although this initiative by the Government is broadly positive and is to be welcomed, in that, unless there is a *volte face*, the threat of a benefit in kind assessment on SCI members is largely removed, the exemption is limited. We need to await the draft Finance Bill 2008 but it seems that that the exception will only apply to potential benefit in kind assessments.

There are a number of conditions initially proposed for the exemption from benefit in kind charge, as follows:

- a. The property must be owned by an SCI which itself is owned by individuals;
- b. The SCI's only activities are ones that are incidental to its ownership of the property;
- c. The property is the SCI's only or main asset; and
- d. The property is not funded directly or indirectly by a connected company.

The Budget initiative is unclear on a number of peripheral aspects.

Draft legislation will be published for consultation to be included in the 2008 Finance Bill and it is to be hoped that the wider issues referred to above are dealt with, clarified or resolved in that legislation.

You should consult your UK tax advisers on all aspects of the above that are of concern to you.

R.A.D. Urquhart De Pinna - French Department