

April 2017

Blackmore Bond Plc
Penthouse
Queensbury House
106 Queens Road
Brighton
BN1 3XF

Dear Sirs

INTEREST PAYMENTS AND TAX

A K E Tax & Accountancy Ltd, in their capacity as accountants to Blackmore Bond Plc, have been recently asked to advise on the tax position regarding investments of this nature. The outcome of our research and our professional opinion is detailed herein. Whilst the advice has been instructed by Blackmore Bond Plc the letter is intended as information to the investors who should, however, seek their own tax advice.

Blackmore Bond Plc have been advised by their Tax Barrister and HM Revenue and Customs (HMRC) that Income Tax is to be deducted at source on the interest payments at basic rate (20%) and paid quarterly to HMRC by Blackmore Bond Plc.

It is the taxpayer's legal obligation to account to HMRC, if required, for their tax affairs and/or seek appropriate tax advice from their tax advisors. Each taxpayer's circumstances will be different. Please see the examples at the end of this letter.

Essentially all Blackmore Bond Plc is doing is paying part of this tax on the investors behalf to HMRC. It is the responsibility of the taxpayer to settle their tax affairs with HMRC (or other tax authority if resident overseas).

It is the legal obligation of Blackmore Bond Plc to deduct the withholding tax at 20% and pay this to HMRC.

Due to opaque past guidance from HMRC, received by Blackmore Bond Plc in the above area, the company is also making an adjustment to the next interest payable for the tax payable in the year to 5 April 2017. This will form part of the tax year ended statements for use in the investors' tax returns for the year ended 5 April 2017. Again, please note that all Blackmore Bond Plc is doing is paying the 20% basic rate tax on the investors' behalf to HMRC.

For many of the investors this change will be welcome because they will like the fact that the tax is being dealt with at source and at the basic rate. We do, however, understand that some taxpayers do not have to pay the income tax due to the availability of allowances, either personal allowances or the new personal savings allowances of £1,000 and £500. These taxpayers should speak to their tax advisors or HMRC so that a reclaim can be made of the tax withheld. There are mechanisms for this to be facilitated via HMRC. Please see examples below.

There is an exemption for banks, building societies, and some other categories of interest payers to pay interest gross. After making enquiry with the directors, legal counsel, HMRC and tax specialist, Blackmore Bond Plc does not fall into these categories.

Below are some helpful examples of taxpayer scenarios and withholding tax.

Examples of taxpayer scenarios:

Example 1

I don't have to pay the tax because I have more than enough tax-free allowances (personal savings allowance of £1,000 or £500 or personal allowance) to cover the interest receivable in a tax year. I don't pay basic rate tax.

Blackmore Bond Plc has now confirmed that it is not exempted from having to deduct withholding tax and so it must deduct the tax and pay it on your behalf to HMRC.

You can get the tax back, if eligible, and the normal mechanism for this is via an R40 form which can be downloaded from the HMRC website. Your tax advisor or HMRC can advise you on how best to get a repayment based on your circumstances.

Example 2

My company has invested, not me personally

Companies always receive interest gross and account for the tax on their corporation tax returns.

Example 3

I am not resident in the UK for tax

The tax may be repaid using an R43 form from HMRC to be completed and submitted by the taxpayer. Please seek advice from your tax advisor on this to see if this is appropriate.

Example 4

I am a UK higher rate or additional rate taxpayer

You need to complete a self-assessment tax return to pay the higher rate or additional rate tax. Blackmore Bond Plc will have already paid the basic rate tax to HMRC on your behalf.

Blackmore Bond Plc will issue you with a statement to show this.

If you do not complete a tax return then you will have to contact HMRC to pay the tax i.e. via your PAYE code if you are employed or receive a private pension.

Example 5

I am a basic rate taxpayer and my income will not exceed the higher rate tax band in the tax year

Then the tax, at basic rate, would have been paid at source by Blackmore Bond Plc. You still need to account for this on your tax return should you be required to complete one. Blackmore Bond Plc will issue you with a statement to show this.

Example 6

I fall into examples 4 or 5 but I note that I may have tax free allowances on interest received i.e. personal savings allowance of £1,000 or £500.

If you are a self-assessment taxpayer then when your tax return is prepared the calculation will take all your income, available allowances and tax deducted into account in arriving at your final tax position for the tax year.

If you do not complete a tax return, then you should contact HMRC for advice on this, or speak to your tax advisor, to see how best to seek a repayment under your circumstances.

We trust that the above covers some of the main scenarios that the investors will find themselves in.

An investor must seek their own tax advice because all taxpayers' circumstances are different. It is the individual investor's responsibility to complete and file a self-assessment tax return and / or pay any additional tax due / obtain a repayment of any overpaid tax. The above examples are a guide only.

Yours faithfully

A K E

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