

The house of lords has upheld the appeal by Arctic Systems

The Revenue has lost the crucial Arctic Systems case involving the taxation of contractor revenue.

The Jones' case was lost by the Revenue who attempted to prevent contractors from distributing dividend income to members of their family who worked in the business.

This landmark tax case would have had implications for tens of thousands of small businesses if the HMRC had won it's appeal. Firms taking advantage of the common tax planning technique used by the Arctic Systems' owners, Geoff and Diana Jones, could have faced back-dated claims of around £42,000.

The Jones' battled HMRC for four years, including taking the case to the Court of Appeal, which [ruled in their favour](#). HMRC then appeal that result, which is the ruling today.

According to Keith Gordon of [Atlas Chambers](#), assisting counsel for Arctic Systems, "The case hinged on the fact that Mrs Jones held ordinary shares in Arctic Systems. As a result the Revenue was not able to claim that Mrs Jones's share of the company income could not be treated as a dividend."

Geoff Jones said: "Diana and I are delighted that the Law Lords have vindicated our position, and confirmed that we have done nothing wrong. This has been a terrible ordeal for us, which looked like it could cost us our home at one point. We're relieved it's all over, but I am still extremely angry that the Government tried to pull this stunt in the first place."

[PCG](#) chairman David Ramsden commented: "This is an enormous relief for family businesses throughout the UK, who had been facing a tax rise from a previously obscure bit of law. We will now be working to ensure that HMRC respects this decision and does not attempt to penalise family businesses unfairly."

Contractors can now continue to run their businesses as they always have.

Published: Wednesday, July 25, 2007

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