

## Section 660a: full judgement revealed

The [full text](#) of the recent [Section 660](#) High Court case has now been released, and revealed that consultants are the main target of the taxman's clampdown, under [Section 660a](#).

The recent Section 660 High Court case saw IT consultancy, Arctic Systems, lose its appeal in what was described by a leading adviser as a 'black day for small business'.

Apparently HM Revenue and Customs are currently investigating 100 companies and partnerships that operate in a range of industries. Many advisers expect that figure to rise significantly.

The view of Accountants is that the vast majority of investigations will be for consultants and other low-asset backed service companies.

Current estimates as to the number of companies affected has been scaled back from 200,000 to around 30,000.

The Arctic case hinged around the fact that Geoff Jones paid himself a low salary in order to 'settle' dividends to his wife, Diana. The judge said that if Geoff has paid himself a market rate then it would have been difficult for the Revenue to establish a case.

The whole topic of 'Market rate', and what constitutes a market rate is likely to be a contentious one, and will not sit well with contractors who for years have been trying to prove they are not 'disguised employees' under the IR35 legislation.

If you are currently consulting via a service company and splitting dividends it is advisable to speak to your accountant to minimise both the chances of investigation and potential penalties in the future.

### Editors note (Feb 2012):

*The original settlements legislation dates back to the 1930s and was subsequently updated first in 1988, when it became the more familiar Section 660. It was changed again in 2005 when it was updated and rewritten into its current form as Section 624 of the Income Tax (Trading and Other Income) Act (ITTOIA) 2005. See more information on the current [settlements legislation](#).*

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