

2011	GBP 42,624,616	-GBP 1,313,462	GBP 120,000	GBP 36,000
2012	GBP 48,748,062	GBP 5,967,446	GBP 120,000	GBP 36,000

The expected tax burden would be as follows:

Table 9 Case 3 calculation

Taxes	Normal Taxation		LDF		LDF CRO	
IHT on death	40%	GBP 1,800,000				
IHT 10 year charge	6%	GBP 108,000	6%	GBP 743,798		
Income & gains 1992 - 1998	39.3%	GBP 6,264,212				
Income & gains 1999 - 2009	39.3%	GBP 3,893,704	39.3%	GBP 3,893,704	40%	GBP 3,968,106
Income & gains 2010	39.3%	GBP 1,329,618	39.3%	GBP 1,329,618	39.3%	GBP 1,329,618
Income & gains 2011	39.3%	-GBP 454,304	39.3%	-GBP 454,304	50%	-GBP 578,731
Income & gains 2012	39.3%	GBP 2,403,453	39.3%	GBP 2,403,453	50%	GBP 3,061,723
Late payment interest rate	8.5%	GBP 1,142,118	8.5%	GBP 609,660	8.5%	GBP 661,361
Late payment interest rate inheritance	5%	GBP 225,000				
Penalty 1992 – 1999	50%	GBP 3,132,106				
Penalty 1999 – 2009	50%	GBP 1,946,852	10%	GBP 396,370	10%	GBP 396,811
Penalty 2009 – 2012	50%	GBP 1,639,383	20%	GBP 655,753	20%	GBP 762,522
Total tax burden		GBP 13,395,534		GBP 5,967,120		GBP 5,297,724
Portion of assets		27.5%		12.2%		10.9%

Due to the steady income stream from overseas sales and the rental income, as well as the good performance of the investment over the last twenty years,³²⁰ Mr Baker faces a high tax burden.³²¹ Under normal disclosure, he has to pay IHT and the ten year anniversary tax as well as income and capital gains since 1992. Furthermore, he should expect a penalty of 50% or more. In total, he would face a tax burden of GBP 13.4 million, which is 27.5% of his total assets.

³²⁰ Annual return of approx. 6% p.a.

³²¹ For the calculation it is assumed that 55% are interest income, 25% are dividend income and 20% are capital gains on average over the years. He is taxed on the highest possible rate (additional rate).