



Julia Casimo

Making the best of a bad job...

Q. A couple of years ago I bought a franchise from a Carpet Retailer. I set up a limited company and financed the start up of the business with £25,000 of my own cash and a loan for £60,000. This was in 2007, and after a few months the business failed completely and the company was wound up. I lost all of my £25,000 investment. Can I get any of my money back?

A. It may be possible to at least get income tax relief on the money you invested. This means you may be entitled to claim a percentage of the £25,000 you lost. This would be up to 40% if you were a higher rate tax payer, and up to 22% if you were a basic rate taxpayer.

Q. That sounds better than nothing, how do I claim?

A. There are a number of conditions which must be met, for example:

The company must have been an unquoted 'trading' company, and HMRC have their own definition of 'trading'.

You must have subscribed for ordinary shares in the company, for the amount you are claiming.

The company needs to have been wound up or struck off.

You will require income in the year of the loss or the year preceding against which to offset the loss, this can be a salary you drew from the company in question.

Q. I drew a salary of £20,000 from the company, and paid tax of over £3,000, can I claim all of this back.

A. On the face of it yes, as your loss of £25,000 could be offset against that income. If you think you are eligible to claim you can have a look at the HMRC Helpsheet, 286. Having said this most people in my experience would require professional help to make the claim as the process is not straightforward!! You should find an accountant who has experience in this area.

As with many decisions you really do need to take independent financial and tax advice. If you would like our help call Julia on **0151 228 8977** at **John Kerr Chartered Accountants** 369-375 Eaton Road, West Derby, Liverpool L12 2AH. Authorised and regulated by The Financial Services Authority

