

Important Announcement to members of the following pension schemes {"the Schemes"})

Cranborne Star Pension Scheme
Grosvenor Parade Pension Scheme
Tallton Place Pension Scheme
The Lancaster Pension Scheme
The Portman Pension Scheme
Woodcroft House Pension Scheme

This is the 21st Announcement and is provided by way of an update to members. This Announcement is just in relation to matters with HMRC. There will be a further Announcement covering other matters in due course.

This Announcement and copies of all previous Announcements can be accessed from the members' website - <http://dalriadatrustees.co.uk/ark/>

Update on HMRC

As we set out in our previous Announcements, in particular our 14th Announcement, HMRC's view is that the 'loans' (i.e. the MPVAs) are unauthorised payments and are therefore subject to an unauthorised payment (tax) charge. Irrespective of the circumstances and whether or not members were misled or mis-sold membership of the Schemes, it is HMRC's view that members remain liable for the tax, whether or not they repay the monies they received personally or whether the individuals they notionally loaned to repay those loans.

HMRC's FAQs document that sets out HMRC's approach to taxing the MPVAs can be found using the below link:

<http://dalriada.wpengine.com/files/20141107-DOCUMENT-Ark-14th-Announcement-inc-HMRC-FAQs.pdf>

In addition, as a result of HMRC's proposed basis for taxing the MPVAs, the Schemes would also be subject to scheme sanction charges (a tax charge on the Schemes themselves, separate to the members' tax charges). In total across the Schemes, scheme sanction charges have been levied totalling in excess of £3.9 million. These charges will be met from scheme assets and, as such, further reduce funds available for members.

Dalriada has appealed these charges and has challenged HMRC's approach. The grounds of Dalriada's appeal are outlined in our 17th Announcement. Dalriada's appeals against the Scheme Sanction Charges and members' appeals against the unauthorised payment charges will be heard in the Tax Tribunal.

There are a number of potential categories of member (for example, those who have made and received loans, those who have only made loans, those who have only received loans, those who

have neither made nor received loans and those who have repaid their loans). Dalriada and HMRC have been actively seeking volunteers to act as test case appellants. This is to ensure that each category of member within the Schemes is represented in the Tax Tribunal, and that the decision issued by the Tax Tribunal covers the tax consequences which flow from each fact pattern.

Dalriada and HMRC have identified appropriate potential members for each category and have actively sought members who are willing to act as test appellants. Unfortunately the process for agreeing test case members has been very slow, for a range of reasons.

HMRC and Dalriada would like to commence the appeal proceedings before the Tax Tribunal without further delay, but a hearing will be of most benefit to all parties if as many types of categories/fact patterns as possible are considered.

A number of members have informed us that they have received a closure notice and letter from HMRC. We think you have received this correspondence because the facts regarding your membership are such that HMRC would like you to be a test case. If you have received a such a letter, please let Dalriada know as soon as possible using the contact details below. As well as issuing closure notices and letters, we understand that HMRC have asked some members explicitly if they will act as a test appellant.

However, whilst some test case members have been agreed, there are some outstanding categories which are not yet represented and this is holding up Tax Tribunal litigation. Dalriada and HMRC would ask again that if you have been approached by either us or HMRC and are willing to act as a test appellant, you get in contact as soon as possible.

If you have not been approached but would still like to volunteer to act as a test appellant so you have the opportunity to put your case to the Tax Tribunal, please contact Dalriada as soon as possible, if you haven't already done so.

NB For those members who have notified HMRC that they wish their appeals to be 'stayed' (so put on hold) pending the outcome of the Tax Tribunal, the intention is that the test case appeals will all be heard at the same time and their outcome(s) applied to members who share the same or materially similar fact pattern.

In the event that not all of the fact patterns/categories are represented, Dalriada and HMRC shall press ahead with the Tax Tribunal proceedings because neither party wishes to delay the process any longer. This would be unfortunate and presents the risk of an incomplete Tax Tribunal decision with some categories being unrepresented and therefore without any determination on the tax treatment of those fact patterns, so affected members shall have to progress their own appeals outside the test case litigation.

Dalriada intends to progress its appeals against the scheme sanction charges (and HMRC will progress the individual members appeals) in the next few weeks.

If you wish to volunteer to act as a test case, please let us know by 9 November 2018. This will be the final opportunity to volunteer.

Confidentiality

Finally, if you are contacted by HMRC could you please confirm to us and HMRC that you are happy for HMRC to share your personal information with Dalriada and its legal advisers, in so far as it is relevant to this appeal. This will help in managing the appeal process. HMRC are bound by strict confidentiality obligations so unless members provide their consent this can cause significant delays.

What you should do if you have any questions

As always, should you have any queries in relation to this Announcement, the pre-action protocol letter or your membership of the Schemes, please contact us.

You can contact us as follows:

Online: Use our Get in Touch form on our website: www.dalriadatrustees.co.uk/contact

Email: ArkAdmin@dalriadatrustees.co.uk

Telephone: 028 9041 2756

Post: Dalriada Trustees Limited, Linen Loft, 27-37 Adelaide Street, Belfast, BT2 8FE

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