

Financial and business intelligence

Austerity Olympics?

Preparing for 2012
– a reality check
on modern times



shipleys  LLP

Also in this issue:
It's not all about the money: Looking after your team in 2012

Residential property: Helping your children onto the property ladder and jumping off without tax

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London 2012 in numbers

Source: london2012.com, Olympic Delivery Authority

10,500
athletes

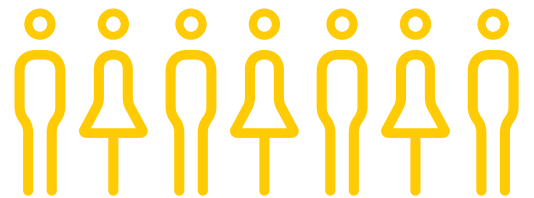


3,000
tonnes
of sand to be used at
Horse Guards Parade
for beach volleyball



£750
million
estimated increase in consumer
spending during Games

80,000
capacity of
Olympic Stadium





1 bn
estimated
worldwide
audience
for opening
ceremony



200
buildings
demolished
to create the
Olympic Park

10.8
million
tickets

**ADMITS
ONE**

Keep on running?

Will the London 2012 Olympics be a boost for business – or a reminder to get things in perspective?

Let's not dwell on the gloomy headlines about the eurozone crisis, rising unemployment and government cuts. Instead, let's look forward to summer and the London 2012 Olympic and Paralympic Games. They return to our shores for the first time since 1948.

There are some echoes of the past as we go into 2012, but nothing compared to the privations of the '48 so-called 'austerity games'. Staged amid post-war economic troubles and rationing, military barracks served as the Olympic village, many teams had to bring their own food supplies and competitors travelled to and from the games on the bus – now they wouldn't be able to get on! (Some things never change though: the USA topped the medal table).

Bright side of life

By contrast, it's hoped that London 2012 will give the wider economy a much-needed boost. As Lord Coe keeps reminding us, the Games represent "a once-in-a-lifetime" opportunity for UK businesses. It's estimated they will generate £10bn in revenue for the British economy as a whole, with consumer spending in the UK increasing by £750 million during the Games. Then there are the business opportunities created by the longer-term legacy of the Games, particularly in East London. The area around the Olympic Park now has Europe's largest urban shopping centre

(Westfield Stratford City) and post-Games will benefit from transport improvements, new housing and the park itself repackaged as a new sporting and business hub.

Business owners, especially in the capital, should be thinking about how the Games will affect them, for better or worse. A recent CBI survey of London firms found that while 72% felt the Olympics would have a positive impact on regeneration, a third were not confident about a positive long-term legacy.

Move on up

A key issue for many will be the disruption to the transport network for several weeks over the summer. With an estimated 3 million extra trips by public transport being made on business days during the Games, Transport for London has warned of serious congestion – cynics might question whether it could get any worse! Clearly it makes sense to prepare for potential disruption to business and possible loss of trade.

Working 9 to 5?

You may also need to consider the impact the Games could have on your staff. While many will have been disappointed not to get tickets for events, some will be working as unpaid volunteers and others very keen to watch the big events at work, whether collectively or on their desktop computers. Some sensible policies need to be drawn up so everyone knows what's allowed.

Distraction from business as usual will extend to all areas of business. For example, we hear rumours of some tax offices already holding workshops on how to cope during the Games – gearing up for gearing down perhaps! So, if you're expecting a quick response to your enquiries from the tax office around Games time, you might be disappointed.

Money, money, money

The Olympics aside, many of our clients have been talking to us about looking after their staff in 2012 generally. Household incomes are under huge pressure at the moment and cost of living forecasts are pretty dire, but few businesses are likely to be able to award significant pay rises in the short term. Those who are doing well are concerned about the 50% tax rate, so there's lots of interest in alternative ways to reward and remunerate staff. In this edition of *Shipshape* we look at some of the options.

Reeling in the years

Finally, and returning to our Olympics theme, the 1948 London Games were the first since the infamous 1936 Games in Berlin. Which brings us to another important landmark: 1936 was also the year that plans were made to establish Shipleys. As we enter our 75th year as a firm we've been dipping into the archives and there's just a taster in this issue of *Shipshape*. Watch this space.

(Making sure) the kids are alright

Helping your children get onto the property ladder

The number of houses sold to first-time buyers has recently fallen to its lowest level in nearly three years. A recent survey showed that the average deposit on a house is now £37,375 – 17% of the value of a property – and that four out of five under-30s are unable to buy a home without financial help from their parents.

Even people moving house who have substantial equity will have noticed that the interest rate is linked to the ratio of the loan to property value. This can make the ‘marginal’ cost of borrowing a little bit extra considerably more expensive. In some cases, the obstacle of a substantial deposit is exacerbated if a cautious surveyor values the property at less than the agreed purchase price (see box).

The Chancellor’s Autumn Statement included proposals to help first-time buyers by underwriting part of their mortgages. This is intended to stop lenders asking for a 20% deposit, but will only apply to new builds.

The fact remains that many children who aspire to get on the property ladder will

inevitably need help from the ‘bank of mum and dad’.

We look below at the main options.

Taxes to be considered include:

- **Stamp duty land tax (SDLT)** is likely to apply irrespective of how the purchase is structured and should be budgeted for (along with legal fees, surveyors’ charges, mortgage arrangement fees, etc).
- **Inheritance tax (IHT)** applies to certain gifts made by an individual during their lifetime and on the value of their estate on death.
- **Capital gains tax (CGT)** applies when property is sold or given away, so it includes lifetime gifts.
- **Income tax** will apply to any interest or rental income.

Then and now – purchase price £200,000

THEN	NOW
VALUATION: £200,000	VALUATION: £190,000
BANK LOAN AT 95% = £190,000	BANK LOAN AT 80% = £152,000
DEPOSIT REQUIRED £10,000	DEPOSIT REQUIRED £48,000



Gifts

Many parents will make a gift of money covering all or part of the deposit and costs associated with a house purchase. The amount will vary, but the idea is that an outright gift of capital will enable the child to buy a property in his or her own name.

Such a gift will have IHT consequences. The annual exemption of £3,000 is unlikely to be of great significance – even if the allowance for the previous year can also be used up. The ‘ordinary expenditure out of income’ exemption will almost certainly not apply to a one-off gift to help buy property.

In most cases, the gift will be a potentially exempt transfer

(PET). If the donor survives for seven years after the gift is made, it becomes an exempt transfer and no further tax is payable in relation to it. This can result in an IHT saving of up to 40% of what the gift is worth at the time of the donor’s death.

Where death occurs within seven years of a PET, IHT may be payable on the gift depending on the transfers in the seven years prior to it and the available ‘nil rate band’ (currently £325,000 per spouse). Taper relief can, however, reduce the tax payable on the gift.

Planning a gift for IHT purposes involves consideration of the overall circumstances, including other prior or intended gifts, and

the age, health and income of the parents. In some circumstances it can be advantageous for the gift to be split between spouses or made by one spouse rather than the other. Furthermore, if other gifts, most notably into trust, have been or will be made, then the order in which they take place can affect the overall IHT liability.

Parents with savings in stocks and shares or other assets through gains will need to take CGT into account before making disposals to raise cash for the gift.

Loans

Loans are not PETs for IHT purposes and remain in the parent’s estate. Making a loan can give the parent comfort that, at some stage, the monies can be returned. But the practicalities of the child’s position require careful thought. For example, will the house be sold to repay the loan if needed?

A loan agreement might be useful, especially when secured by a charge on the property, if the child has financial problems, or a marriage or relationship in which the child’s partner has acquired an interest in a home comes to an end. If interest is charged on the loan, this will be taxable on the recipient but with no relief



available to the payer.

It's quite common for a loan to be made and subsequently waived when the positions of the parents and the child become clearer. If this happens, the loan release will constitute a PET.

Joint purchase

Some parents decide to help their children by buying jointly with them, as tenants in common. Both parties are on the title deeds, with the child's contribution to the purchase often substantially financed by a mortgage.

Parents often don't expect their child to pay rent to reflect their part ownership, but instead take responsibility for household expenses, such as utility bills and council tax. In such circumstances, identifying all property-related expenditure (such as a new roof or extension) and deciding who will pay it needs to be thought through. Where parents receive rent, it will be liable to income tax, with certain expenditure deductible when

calculating the taxable amount.

If the property is sold and has increased in value, the child occupant will not be required to pay CGT on his or her share of the gain because the property will have been their only or main residence. This is unlikely to apply to the gain attributable to the parents, although they may be able to use their respective CGT annual exemptions (£10,600 each for 2011/12). Gains are taxed at 18% or 28% depending on the level of other income.

Legal issues

Finally, it's worth remembering that all agreements between parents and children should be properly recorded and it's possible that some legal advice will be needed. This is especially so for a joint purchase, where a formal agreement is advisable to make clear the respective rights and obligations of co-owners.

➤ A fuller examination of these issues is available at www.shipleys.com

Looking after your team in 2012

Many employers will be thinking about how to look after their staff in the year ahead.



Household incomes are under huge pressure, but difficult trading conditions mean that cash is still very tight for many businesses, making big pay rises unlikely. Those that are faring better may be more concerned about the 50% tax rate. Here are some things to consider.

Pension contributions

Under the new Personal Account arrangements being phased in from next October, employers have to set up a staff pension scheme and move towards a default position where the employee contributes 3% of their salary and the employer contributes 4%. Many employers are setting up schemes now, starting with smaller contributions, to avoid a sudden rise in payroll costs when the rules apply to them.

Salary sacrifice

This is where an employee's contribution to a personal pension are replaced by

contributions by the employer, with a corresponding reduction in the employee's salary. This saves on National Insurance Contributions for the employee and the employer because of the reduced salary through PAYE, so there can be scope for a modest increase in the employee's net pay without any additional cost to the employer.

Partnership status

Partnerships with senior employees, including salaried partners, who are making the transition to 'equity' partner, may be able to increase their income without additional overall cost to the partnership.

Salaried partners are employees for tax purposes, and have tax and NIC deducted through the PAYE system. Equity partners, on the other hand, share in the profits (and losses) of the business. They are taxed like the self-employed, paying tax and NIC in two annual payments,

rather than through the PAYE system.

The difference in the NIC between these two types of partner can be an important financial incentive, with annual savings in excess of £10,000 for those with gross income of over £100,000. In practice some firms give 'junior' equity partners only a small share in the firm's profits, but the tax treatment of the salary or profit share is not the only consideration. There are also wider benefits in kind to factor in, such as pensions, company cars, life cover or death in service benefits.

Share options

These can be very effective in securing employee loyalty and

also avoid the cash cost of an immediate bonus. Approved Company Share Option Plans and Enterprise Management Incentives don't necessarily have to be made available to all staff and can be particularly effective to help incentivise senior people.

Employees are given options to acquire shares in the company at some point in the future, at a set price. So an option granted to acquire 10,000 shares at £1 each at any time in the next five years would mean that, if the shares increase in value to £3 each, the employee can buy shares worth £30,000 for £10,000. If the share price falls the employee does not need to exercise the option, so doesn't incur a loss.

Household incomes are under huge pressure, but difficult trading conditions mean that cash is still very tight for many businesses, making big pay rises unlikely.



Tax traps for non-doms

Watch out for 'constructive remittances'

Non-domiciled UK residents who are taxable on the remittance basis need to be alert to the many less obvious ways they can find themselves remitting income or gains to the UK.

For example, take a non-dom parent who buys his son a car in Germany as a 21st birthday present, using unremitted overseas income or gains. So far, so good.

But suppose the son brings the car into the UK and drives it here. Again, no problem, because he is over 18. However, if the father borrows the car, i.e. he 'enjoys' the benefit of the gift – then he's made a remittance. The amount caught is the amount spent on buying the car, not its current value.

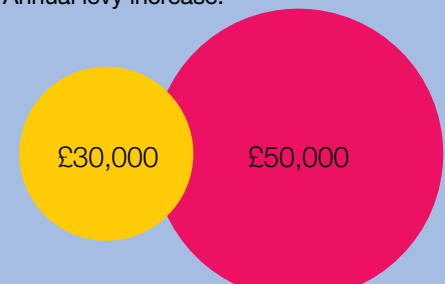
Finance Bill clarification

More information is now available on the way non-doms may use offshore income and gains to invest in UK unquoted companies without incurring a remittance charge, following publication of the draft Finance Bill 2012.

UK non-doms and US tax

US taxpayers can now claim credit for the UK remittance basis charge against their US tax liability. This is an annual levy of £30,000 for non-doms over 18 who were UK resident in at least seven out of the previous nine years who choose to be taxed on overseas income and gains only when they are remitted to the UK. From 6 April 2012 it will increase to £50,000 for people resident in the UK for 12 or more years out of the previous 14.

Annual levy increase:



Chancellor's Autumn Statement

Some of the more noteworthy highlights of George Osborne's Autumn Statement designed to "promote growth in the economy" (in case you missed them).

- New **Seed Enterprise Investment Scheme (SEIS)** from April 2012 to encourage investment in new start-up companies, offering 50% income tax relief on investments, and a capital gains tax exemption on gains realised in 2012/13 that are re-invested through SEIS in the same year.
- Simplification and refocusing of the **Enterprise Investment Scheme and Venture Capital Trusts**, including exclusion of investment in feed-in-tariffs businesses.
- An 'above the line' tax credit in 2013 to encourage **research and development** activity by larger companies.
- A range of new measures to encourage investment in new and existing **Enterprise Zones**, including 100% capital allowances in certain zones.
- **National Loan Guarantee Scheme** to reduce the cost of bank finance for businesses with turnover of up to £50 million.
- **Business Finance Partnership** that will make £1 billion available to invest in mid-sized businesses and SMEs in the UK.
- Extension of the **Enterprise Finance Guarantee scheme** from January 2012, to include businesses with up to £44 million annual turnover.
- A number of measures designed to stimulate **house building and house buying**.
- The annual **capital gains tax** exemption will remain at £10,600 for 2012–13.
- **Stamp duty land tax** relief for first-time buyers will end on 24 March 2012.

Small business rate relief holiday to be extended

The Chancellor has extended the small business rate relief holiday for a further 6 months from 1 October 2012. The Government will also give businesses the opportunity to defer 60% of the increase in their 2012-13 business rate bills as a result of RPI up-rating, to be repaid equally across the following two years.

Keeping your house in order

Business record checks and fee protection

In recent years HMRC has shifted much of the burden of tax compliance on to the taxpayer, with automatic penalties if you don't file and pay on time. There have been a number of initiatives focusing on specific industries, 20,000 businesses visited annually for record checks, penalties of up to £3,000 where proper records are not kept and

more enquiries into tax returns. The year-on-year increase in the number of enquiries is reported by some analysts to be around 50%. No-one welcomes close scrutiny from the tax office. Even if there's nothing to pay, the time and cost, including accountancy fees, of dealing with enquiries shouldn't be underestimated. Some readers might be interested in our fee

protection service, under which we will deal with any HMRC enquiries for a fixed annual fee, rather than charging on the normal basis of our time spent. Clients need to have joined the service before the enquiry starts. Further information is available at www.shipleys.com/fps



News briefs

Child benefit cuts

The Government still seems intent on withdrawing child benefits to higher-rate taxpayers from January 2013. To put the plan into perspective, for a family with three young children this would be the equivalent of a £4,000 cut in pay for a higher-rate taxpayer.

In fact, the proposal may prove to be unworkable, as it won't be possible for the Government to know in January 2013 which claimants are in a household with at least one higher rate taxpayer (presumably for 2012/13).

In spite of this, although the change may seem a long way off, those potentially affected and their employers, should think about what action they might take.

French capital gains tax

The French Government has toned down its plan to abolish capital gains tax (CGT) relief on investment properties and second homes. Previously, the taxable capital gain was reduced by 10% a year after the first five years, giving full exemption after 15 years of ownership. This relief was to have been removed altogether. Now the plan is to reduce the taxable gain by 2% per annum for ten years after the first five, 3% per annum for the next

ten years and 10% per annum for the next five years, giving complete exemption after 30 years. The change will apply to preliminary sales agreements signed after 1 December 2011.

Tax-free income from solar power

Home-owners are being told that installing solar panels can not only save on their electricity costs but also generate tax-free income. In fact, if such income (from surplus power) does arise, the tax exemption is only available if the home-owner does not intend that the electricity generated will significantly exceed the amount of electricity consumed. Only a trivial surplus or an unintended 'significant' surplus will be tax-free. HMRC suggests that an intended surplus of more than 20% over consumption would be counted as significant.

Spanish wealth tax

Spain is to re-introduce an annual wealth tax, applicable to those with assets worth over €700,000 excluding their main home. It is hoped that the tax, at rates of up to 2.5%, will raise €1.08 billion from about 160,000 people – an average of €6,750 each.

Super-economy cars

An increasing number of electric and low-emission cars benefit from tax relief and other

incentives. At the last count, there were 39 with CO₂ emissions under 100g/km, including eight electric, 24 diesel, three hybrid and four petrol models.



The benefits of green driving:

- Tax relief may be claimed on 100% of the purchase cost of electric and low emissions cars.
- Electric cars and some low emissions cars aren't liable for the London congestion charge.
- Cars with very low emissions attract low road tax (nil if the CO₂ emissions are below 100g/km, £20 if below 110g/km and £30 if below 120g/km).
- Cars whose emissions don't exceed 120g/km result in a low benefit in kind (nil for electric cars, 10% of list price for petrol cars with CO₂ emissions not over 120g/km, 13% for diesel).

Junior ISAs

Even very young children have personal allowances, and are only taxed on income in excess of the income tax personal allowance, currently £7,475. So the tax-freedom of Junior ISAs may seem unimpressive. But income from funds given by a parent (if in excess of £100

Tax deadline email alerts

Business Link offers a helpful service to remind businesses of their tax and Companies House deadlines. All you need to do is visit the website and answer a few simple questions about your business. Business Link will then create a calendar of your key tax deadlines for the next 12 months. Or you can sign up to receive regular email alerts as each date approaches.

www.businesslink.gov.uk/bdotg/action/keydates

a year) is taxed as the parent's. So, although only £3,600 a year may be saved in each of the new tax-free Junior ISAs, they look potentially attractive as a home for funds provided by a parent.

State pension lump sums

If someone of state pension age delays drawing their state pension for at least a year they may then either draw an increase in the pension or take a lump sum. The lump sum is taxable at the highest rate applicable to the claimant's other income, either for the tax year in which the state pension is first drawn or for the following year. So, some planning may be worthwhile.

Fuel rates

Advisory fuel rates for 'company cars' have changed again, with effect from 1 December 2011. Details are available at www.hmrc.gov.uk/cars/advisory_fuel_current.htm

Finance Bill brings clarification on charitable bequests

The draft Finance Bill gives clearer details on the 10% 'discount' on inheritance tax for people who die after 6 April 2012 leaving at least 10% of their estates (which would otherwise be chargeable at 40%) to charity.

Default surcharge regime

The default surcharge regime, which penalises businesses that fail to file and pay their VAT returns on time, produces a regular crop of cases for the VAT Tribunal.

For a long time these cases centred around whether or not the taxpayers had a reasonable excuse for being late.

In recent cases taxpayers have argued that the default surcharge penalty is disproportionate to the misdemeanour. This argument was successfully deployed in the Enersys Holdings case and has been used many times since then, largely without success.

Of the Tribunal cases published since the Enersys judgment seven out of eight decisions were won by HMRC. In three of the HMRC wins the taxpayers were unrepresented. The message is clear – by all means deploy the proportionality argument, but don't get your hopes up.

With penalty rates of up to 15% it makes sense to try to keep out of the default surcharge regime altogether, but with the continuing poor economic performance and consequent cashflow squeeze that is easier said than done. Nevertheless there are things that can be done to ease the burden:

1. If you know you're going to have a problem, speak to HMRC before the due date for payment and agree a Time To Pay schedule. Provided you file your return(s) on time and keep to the schedule the default surcharge regime does not apply to the periods covered by the arrangement.
2. If your business is in the services sector and is either supplying services to customers on a continuing basis or has long term projects with interim billing stages it's worth considering using requests for payment. These are not VAT invoices so the VAT is only due when payment is received.
3. If your turnover is less than £1,350,000, you should make use of cash accounting.
4. Make full use of bad debt relief. As soon as an invoice remains unpaid for more than six months bad debt relief is available and there is no need to notify the customer or to commence insolvency proceedings.

Intrastat filing changes

HMRC has announced plans to change the way Intrastat declarations are collected. The changes will be introduced from 1 April 2012 and will consist of: mandatory electronic submission; and bringing forward the monthly submission deadline from the end of the month to the 21st day of the month.

Further information about electronic submission is available on the UK Trade Info site www.uktradeinfo.com

Taking over a subsidiary – VAT on acquisition fees

The ability to recover VAT on business costs is a fundamental principle of the VAT system but it is not an unfettered right, as the recent BAA case demonstrated.

The case concerned the acquisition of BAA by a consortium headed by Ferrovial. A NewCo was established to acquire the shares in BAA and it incurred VAT on advisers' fees in relation to the takeover. Shortly after the acquisition the NewCo joined the BAA VAT group and submitted a claim for recovery of this VAT which HMRC rejected.

BAA appealed and ultimately lost as the Upper Tribunal decided that there was no direct and immediate link between the VAT on the advisers' fees and the taxable supplies made.

To avoid the BAA pitfalls and maximise the input VAT recovered ensure the following.

- The acquiring vehicle is engaged in an economic activity such as actively managing the subsidiary. To do this it will need to show that it has sufficiently experienced directors.
- Engagement letters and fee notes from advisers should be sufficiently detailed to demonstrate the nature of the services received.
- Future intentions are fully documented such as the intention to make taxable supplies, register for VAT or join a VAT group.
- The costs incurred can be shown to relate to future taxable supplies.

These steps may not enable full input VAT recovery but should assist with maximising the recoverable amount and with any discussions with HMRC.

Client profile



Introducing Santander to the UK

Shell: Our Future



Launching the KIA Soul

Content is King

Shipshape speaks to Stephen Liddle at Content is King about its goal of becoming the leading film communications agency

Content is King is a strategic and artistic partner to some of the world's biggest businesses, creating film and video content to deliver corporate communications, brand and consumer marketing and investor relations.

"We are a team of film-makers with a genuine passion to create something special, each and every time," explains Managing Partner Stephen Liddle. Recent work has included films for use in a digital medium, direct-response TV campaigns, corporate cinema and animation.

One-stop shop

Stephen says that Content is King differs from other production companies in that everything happens in-house, from hatching the creative solution through to the final cut. "There are three main advantages to this," he says. "Work gets done more quickly, it results in major cost-savings for our clients and creative control is tighter and easier."

The company has a rigorous creative process that evaluates a range of factors from audience psychology to delivery medium and purpose. "This ensures that our work is as commercially influential as it is finely crafted," explains Stephen.

Despite the economic downturn, 2011 has been Content is King's most successful year ever, with revenues

growing threefold over its financial year to the end of May 2011.

"More and more clients have realised the need to take the element of risk out of the film process. We want to consolidate this year's creative and financial performance, with additional retained clients. We are aiming to be recognised as the leading film communications agency."

The perfect fit

Shipleys provides Content is King with a number of services. This has included an initial audit of what had gone before, through to tax planning (company and personal) and advice on the firm's proposed growth strategy.

"We appointed Shipleys after a rigorous pitch process from which they were the clear winner. They are specialists in film and media, are able to advise on the big picture and yet remain attentive to day-to-day processes. We have been hugely impressed with Shipleys and our Principal, Stewart Jell. Shipleys has proven to be the perfect fit."

"Shipleys is a great asset to Content is King as we manage the further growth potential of the business."

www.contentisking.co.uk



Stephen Liddle, Managing Partner

"We want to consolidate this year's creative and financial performance, with additional retained clients... We are aiming to be recognised as the leading film communications agency."

Stephen Liddle, Managing Partner, Content is King

Shipleys at 75

Looking back at the history of the firm, as it enters its 75th year, unearths a glimpse of the past and a few famous names.

The forerunner to our firm, Shipley, Blackburn, Sutton & Co, was formed following a series of amalgamations in 1936 – the same year as the Berlin Olympics, the abdication of Edward VIII and the first BBC television broadcasts.

The eponymous Ronald Shipley started out as a trainee accountant in a West End practice almost entirely connected with the stage – an association with the entertainment world that we maintain to this day. At one time the firm was said to look after more than half the theatrical profession, ranging from chorus girls to Laurence Olivier. The firm has had a West End presence down the years through offices variously in Jermyn Street, Regent Street and at Broadmead House in Panton Street near Leicester Square, the setting for the film *Fanny by Gaslight*. Later the firm had branch offices in Wembley and, at one time, Manchester.

Even in the firm's early days it boasted prestigious clients including HJ Heinz & Co and Charles Forte, founder of the Trust House Forte Group. The latter traded as Strand Milk Bars, a leading light in the short-lived, pre-War London milk bar boom, and eventually formed the basis of the Forte catering empire. Another early client was city law firm Linklaters & Paine, now one of the world's leading international firms.

With the passing of Ronald Shipley and changes to the partnership during the 1950s, the firm developed a broader focus on commerce and industry, laying the foundations of the Shipleys of today.

And all of this in the days before the introduction of capital gains tax and corporation tax!

Our new private client tax principal



Name: Fiona Harper

Specialism: Explaining complicated tax problems simply and providing practical solutions to individuals and their families, trusts and estates. Her clients include entrepreneurs, those with inherited wealth, lottery winners and people leaving or coming to the UK.

Career: Worked in the City before getting the tax bug. Completed training with Deloitte before joining KPMG and Mercer & Hole, prior to Shipleys.

Interests: Cooking, baking cakes and collecting wine, and is kept in shape by her young family, weight training and skiing. Fluent in Spanish and French, Fiona regularly reads and watches films in both languages to maintain her proficiency.

fiona.harper@shipleys.com

Then and now

1936	2011
National Government led by Stanley Baldwin	Coalition government under David Cameron
After the death of King George V, Edward VIII abdicates to marry American-born divorcée Wallis Simpson. He is succeeded by his brother, George VI.	The story of George VI's battle against a crippling stammer is told in the Oscar-winning film, <i>The King's Speech</i> , starring Colin Firth.
The Spanish Civil War begins after an attempted coup against Spain's government by right-wing army generals.	Spain's centre-right Popular Party wins a resounding victory in a parliamentary election dominated by the country's deep debt crisis.
The BBC Television Service starts broadcasting from Alexandra Palace with three hours of programming a day.	The BBC plans to cut 2,000 jobs and radically change programming in order to cut 20% from its budget over the next five years.
Mass unemployment in the north-east leads to 200 men taking the 'Jarrow March' to London in protest.	A re-enactment of the Jarrow March is completed to highlight youth unemployment.

Average weekly working wage for men in 1936:

56s 6d
(£2.86 in today's money)

Average weekly working wage 2011 approximately:

£656

Approx average weekly wage for Premier League footballers in 2011/12:

£22,500

Total rate of inflation between 1936 and 2011 approximately:

5,000%

Holiday reading?

Our VAT supremo, Nancy Cruickshanks, has edited a new book on VAT, bringing together input from other AGN members across Europe. *VAT in the EU*, published by Lexis Nexis, offers a country-by-country guide to the VAT regimes in all 27 member states.



Peter Squires

We are very sad to report the passing of Peter Squires, a principal at Shipleys until he retired in the 1990s. Long-standing friends of Shipleys may remember Peter as an extremely well-connected and colourful character.

Exam success

Congratulations to Dino Campanaro and Natalja Martynova (pictured), Joel Leach and Amy Bannister on passing all their exams to become qualified chartered accountants.



Tax relief when selling your home



How to make the most of the CGT main residence exemption

When you sell your main residence, any gain on the disposal is generally exempt from UK capital gains tax (CGT). If you own more than one home it gets more complicated.

The main residence exemption

To qualify for CGT exemption, a property must have been your main residence (factually or by election) throughout your ownership after March 1982 – but the last three years of ownership are ignored for these purposes.

A married couple, or civil partners, can only have one property at a time between them qualifying for the main residence exemption.

There are also some rules about the size of your garden – the property's garden or grounds must not exceed half a hectare, or larger area as 'required for the reasonable enjoyment of the house' in view of its size and character.

Multiple homes

If you have more than one residence – this includes a flat that you rent – only one property can enjoy the exemption at any one time, although the choice can change from time to time. This can either be factually based or you may elect that one is your 'main residence', even though it is perhaps only lived in at weekends. You need to elect within two years of having two or more residences.

There may be other factors involved in obtaining CGT relief, such as if you live in job-related accommodation, but perhaps own a property to which you intend to retire.

The exemption also applies to a gain realised by trustees on disposal of a property that has been the only or main residence of a trust beneficiary.

Finally, if the property has been let during the period of ownership, an additional exemption up to £40,000 may be available.

Case study

Adam bought a house in Dorset in January 2002 and lived there for five years. He then moved into a new flat in London and let the Dorset house for four years before selling it. His overall gain was £450,000.

As Adam actually occupied the property as his main residence for five years, he can add the last three years, giving him 8/9ths of his period of ownership. Therefore, his exemption, disregarding the letting exemption, is 8/9ths of the £450,000 gain, which leaves £50,000 chargeable. But, as he had let the property, a further £40,000 exemption is available, leaving only £10,000 chargeable.



US taxpayers and CGT

Although US taxpayers resident in the UK may be exempt from UK CGT on the sale of their 'main residence' they are taxable in the US on worldwide income and gains. The US tax exemption only applies to the factual main residence, is limited to US\$250,000 each and is generally only available if the property has been the main residence for at least two out of the last five years of ownership.

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