Spring 2017

Financial and business intelligence

SHIPS AHOY

A fine balance between obligation and opportunity?

Rewriting the rulebook

shipleys LLP

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Shipleys LLP is a firm of chartered accountants and business advisers. *Shipshape* is our regular newsletter for clients and contacts.

If you have any suggestions for topics you would like to see covered in *Shipshape*, or have any comments about its content, please contact Stuart Dey at our London office.

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Help to buy lifetime ISA for adults under 40 now available

apprenticeship levy on employers paying more than £3m a year

ISA allowance rises for £15,240 in 2016/17 to £20,000 in 2017/18

£20k

£15,240

IP14:
Act by 5 April to protect your pension pot

30%
income tax relief on investment (up to £1m) in social enterprises

£10m
'lifetime limit on gains qualifying for entreneurs' relief, for disposals after 5 April 2008

Tax-Free Childcare:
For every 80p, the Government to add 20p up to £2,000 a year

Employer-provided pension advice tax-free up to
£500
from April 2017

~~VAT~~
16.5%
flat rate scheme: new 16.5% for 'limited cost traders'

Viewpoint: Simon Robinson
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Two sides to every story

New attitudes to work are having a big impact on employers, bringing changing obligations but new opportunities too.

Recent events should remind us of the need to recognise that things move on and there is a constant need to adapt. On 9 January 2007 Steve Jobs announced that the first iPhone would be released later that year – can that really be only ten years ago?

Advances in technology have made science fiction become reality, changing the way we interact with the world around us and the way we do business. While society's attitudes are still playing catch-up, 'millennials' (defined as those born roughly between 1980 and 2000) and their expectations are fast-becoming the dominant force in workplace culture and an increasingly important market segment.

By clinging on to some out-dated views businesses can suddenly look rather out of touch. Of course 'modern' will mean different things to different people and industries. As a 'people' business, recruiting, managing and retaining our best people is a key priority for Shipleys. We have traditionally recruited graduate trainee chartered accountants from reputable universities, but with more and more school leavers choosing not to go to university could we be missing out on very capable and enthusiastic school leavers or others who have valuable work experience and are clear about their career path? It's also vital that, as employers, we all re-examine our attitude to our staff. Are we genuinely offering everyone a meaningful career and ensuring that opportunities are open to all?

10% CGT

Investors' CGT relief on disposal of unquoted shares

9 to 5

Social attitudes and Government often combine to drive change. An example is the Government's introduction of rules on flexible working – essentially the ability for a worker to request a change to their hours or place of work. Surveys have shown that employers who offer flexible working have greater employee engagement and a happier and more productive workforce, often resulting in a more profitable business.

Some of the flexible working 'practices' would have been treated with disbelief by many employers not that long ago. At a meeting we hosted recently it was clear that some business owners find it hard to let go of long-held perspectives. The general consensus was that it comes down to whether we trust our employees. If you've got the right people, yet you have trouble trusting them, then perhaps you need to consider your own outlook. How modern are you exactly?

The Government is bringing in another change for businesses, intended to benefit employees and small companies, in the form of the apprenticeship levy. From April 2017, larger companies will be obliged to pay a levy. But it will also be an opportunity for smaller businesses to get a contribution from the fund to hire and train their staff. See page 5 for details.

And don't forget about your obligations to provide a pension for just about all of your employees. We are now on the final run in and every company will be affected by the end of the year. See the article on pensions auto-enrolment on page 4.

Moving on up

Getting the right balance between fairness, flexibility and achieving your company's goals, is tricky but crucial. When the 'gig economy' (where workers are given short-term contracts or freelance work) is used fairly, flexible contracts can be mutually beneficial. The business benefits by not having to pay National Insurance or pension contributions. There are also no employment regulations such as minimum wage, holiday or sick pay. In return, workers get to be their own boss, and may have more control over when, where and how often they work. But recent disputes involving Uber, Deliveroo and Hermes and the use of zero-hour contracts were swiftly followed by the introduction of the Modern Slavery Act – demonstrating the Government's concern that a balance is kept.

Help!

The new world also provides plenty of opportunity for individuals to manage their finances more in line with their social attitudes.

We've noticed that many of our clients are becoming increasingly concerned about the social impact of the companies they invest in. Aimed at encouraging investment in 'social enterprises' the Government has introduced Social Investment Tax Relief. Money Matters on the back page looks at the scheme in more detail.

Money for nothing?

As we go to press, the Chancellor's Budget on 8 March is set to be the last Spring Budget, at least for the time being. In the last *Shipshape* we noted that tax payments are being speeded up and it now seems that tax revenues in January were higher than expected (though the cynic may say that this was to be expected as individuals had accelerated dividend payments to avoid the tax increase on them!). Mr Hammond may have scope for some crowd pleasers after all. Following the announcement, there will be our usual analysis and comment on our website.

Finally, this issue of *Shipshape* is full of tips to help you make the most of your planning opportunities in time for the tax year-end on April 5. There are details on your last chance to protect your pension pot following the drop in the lifetime allowance in April 2014, and we also talk about the new Tax-Free Childcare scheme.

Enjoy the read.

End of year tax planning

It's time to look at tax saving opportunities

As we approach the tax year-end on April 5, it may be possible to choose the tax year that your income, gains or reliefs fall into. This can affect the tax rate, and therefore the amount of tax payable, and the date it needs to be paid.

Income and gains

With marginal rates and tax bands expected to be very similar next year, the timing of liabilities will be the main issue to consider.

Residential property landlords

Income tax relief for a quarter of the interest costs of residential property landlords will be at only 20% if met in 2017/18, rather than at their marginal rate in 2016/17. This will also apply to interest on loans used to provide capital for partnerships letting residential property.

Pension contributions

Unless your marginal tax rate will be higher for 2017/18 it's better to make any pension contributions by 5 April 2017, subject to the maximum allowance for that tax year. Unless your income exceeds £150,000 this is £40,000, plus any unused relief from the previous three years. However, pension inputs for those in 'drawdown' are limited to £10,000 a year.

If your income exceeds £150,000, the £40,000 allowance is reduced by £1 for every £2 of that excess, down to a minimum allowance of £10,000.

The 'lifetime allowance' is a limit on the value of your pension fund that can enjoy favourable tax treatment.

There are a number of elections which can result in a higher lifetime allowance than the latest figure of £1m (see protect your pension pot, page 4). Anyone who has an election in place requiring no further pension contributions should beware of being automatically included in a workplace pension scheme.

Charitable giving

Unless your marginal tax rate will be higher for 2017/18 it's better to do any charitable giving by 5 April 2017. This applies to gift aid donations and to gifts of listed securities and land, where these qualify for income tax relief. You may elect to treat gift aid cash donations made between 5 April 2017 and the date you file your 2017 tax return, but not later than 31 January 2018, as though they were made in 2016/17 for income tax purposes.

Conversely, the recent changes to the taxation of dividends and interest may result in many people having a tax liability only because of gift aid donations. This is because if the tax recoverable by charities on your cash donations exceeds the tax on your income and gains for the year you have to meet the shortfall. Anyone who might be caught should consider withdrawing gift aid declarations at least temporarily, and then re-issuing them if their income and gains later prove to be sufficient.

Non-doms

If you're a non-dom, you'll see major changes to your income tax, capital gains tax (CGT) and inheritance tax position from 6 April 2017. Trustees, settlors and beneficiaries of offshore trusts should also be aware of the changes. Both are summarised here: *www.shipleys.com/resources/issue/non-resident-trusts*

Capital gains

Deferring payment

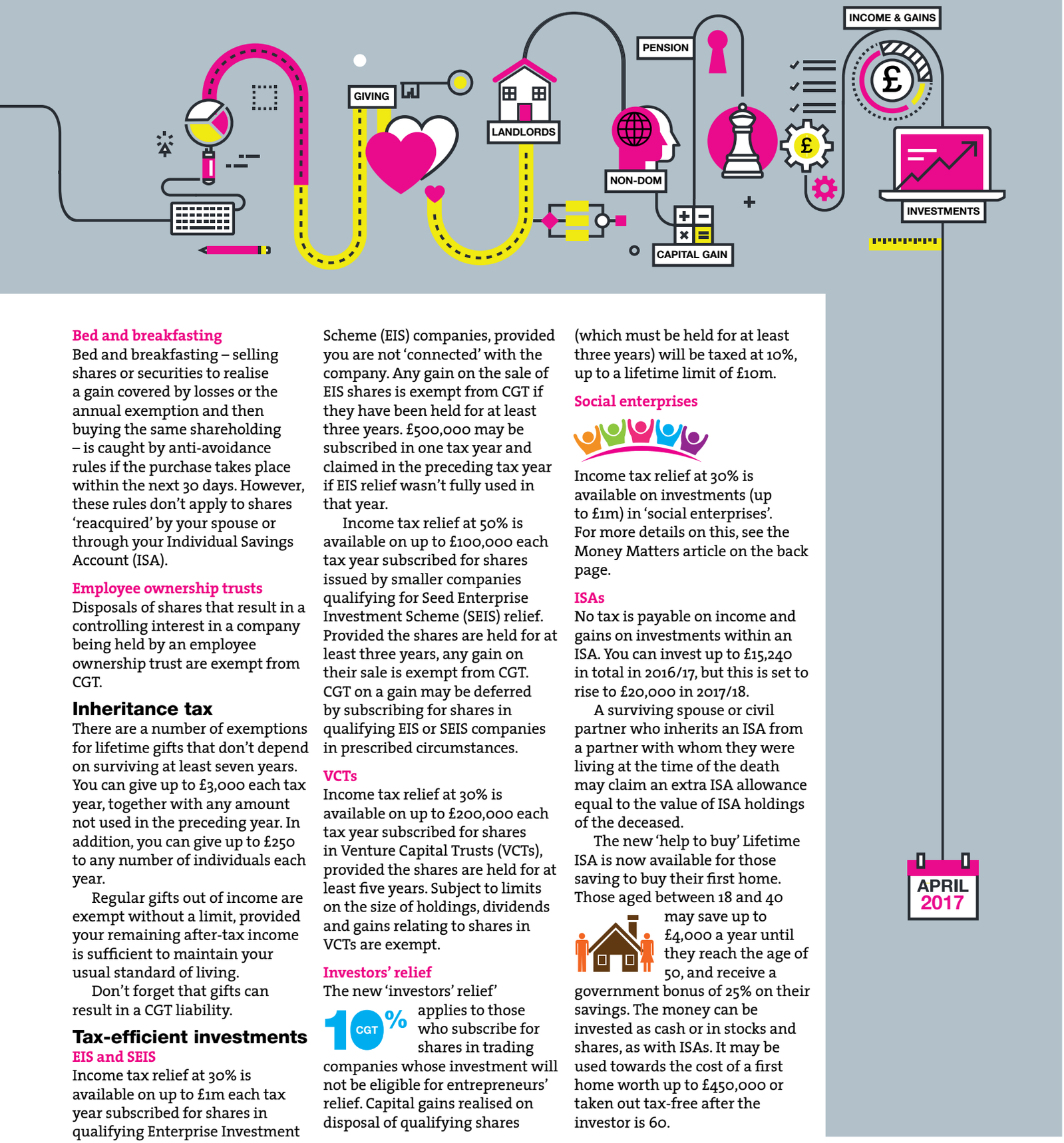
Deferring a disposal that results in capital gains in excess of the annual CGT exemption (£11,100 for 2016/17) until after 5 April would mean that CGT is payable a year later.

Entrepreneurs' relief

Deferral might also mean that you become eligible for entrepreneurs' relief, where gains are taxed at 10% rather than 20%, if the condition for the relief that the asset must have been held for at least a year is then met. The 'lifetime limit' on gains which can qualify for entrepreneurs' relief is £10m for disposals made after 5 April 2008.

Assets of negligible value

If any of your assets have become of negligible value, consider a loss claim for CGT purposes. In some circumstances income tax relief may be available instead.



Bed and breakfasting

Bed and breakfasting – selling shares or securities to realise a gain covered by losses or the annual exemption and then buying the same shareholding – is caught by anti-avoidance rules if the purchase takes place within the next 30 days. However, these rules don't apply to shares 'reacquired' by your spouse or through your Individual Savings Account (ISA).

Employee ownership trusts

Disposals of shares that result in a controlling interest in a company being held by an employee ownership trust are exempt from CGT.

Inheritance tax

There are a number of exemptions for lifetime gifts that don't depend on surviving at least seven years. You can give up to £3,000 each tax year, together with any amount not used in the preceding year. In addition, you can give up to £250 to any number of individuals each year.

Regular gifts out of income are exempt without a limit, provided your remaining after-tax income is sufficient to maintain your usual standard of living.

Don't forget that gifts can result in a CGT liability.

Tax-efficient investments

EIS and SEIS

Income tax relief at 30% is available on up to £1m each tax year subscribed for shares in qualifying Enterprise Investment Scheme (EIS) companies, provided you are not 'connected' with the company. Any gain on the sale of EIS shares is exempt from CGT if they have been held for at least three years. £500,000 may be subscribed in one tax year and claimed in the preceding tax year if EIS relief wasn't fully used in that year.

Income tax relief at 50% is available on up to £100,000 each tax year subscribed for shares issued by smaller companies qualifying for Seed Enterprise Investment Scheme (SEIS) relief. Provided the shares are held for at least three years, any gain on their sale is exempt from CGT. CGT on a gain may be deferred by subscribing for shares in qualifying EIS or SEIS companies in prescribed circumstances.

VCTs

Income tax relief at 30% is available on up to £200,000 each tax year subscribed for shares in Venture Capital Trusts (VCTs), provided the shares are held for at least five years. Subject to limits on the size of holdings, dividends and gains relating to shares in VCTs are exempt.

Investors' relief

The new 'investors' relief' applies to those who subscribe for shares in trading companies whose investment will not be eligible for entrepreneurs' relief. Capital gains realised on disposal of qualifying shares (which must be held for at least three years) will be taxed at 10%, up to a lifetime limit of £10m.

10% CGT

Social enterprises

Income tax relief at 30% is available on investments (up to £1m) in 'social enterprises'. For more details on this, see the Money Matters article on the back page.

ISAs

No tax is payable on income and gains on investments within an ISA. You can invest up to £15,240 in total in 2016/17, but this is set to rise to £20,000 in 2017/18.

A surviving spouse or civil partner who inherits an ISA from a partner with whom they were living at the time of the death may claim an extra ISA allowance equal to the value of ISA holdings of the deceased.

The new 'help to buy' Lifetime ISA is now available for those saving to buy their first home. Those aged between 18 and 40 may save up to £4,000 a year until they reach the age of 50, and receive a government bonus of 25% on their savings. The money can be invested as cash or in stocks and shares, as with ISAs. It may be used towards the cost of a first home worth up to £450,000 or taken out tax-free after the investor is 60.

Dividends vs Bonuses

What's the most tax-efficient way to extract profits?

The changes to both corporation tax and dividend income tax rates warrant a fresh look at the options, with each situation really requiring a detailed comparison. However, a simple example looks at a company with £100,000 to pay out. A bonus reduces the profit subject to corporation tax, whereas dividends are a distribution of profit and are paid after allowing for corporation tax. Assuming the recipient's existing remuneration means their marginal NIC rate is 2%, and adopting a corporation tax rate of 19% and the 2016/17 tax rates, the results clearly favour a dividend, as shown in the table below.

	Higher rate taxpayer		Additional rate taxpayer	
	Salary	Dividend	Salary	Dividend
Corporation tax	£0	£19,000	£0	£19,000
Employer's NIC	£12,126	£0	£12,126	£0
Bonus/dividend	£87,874	£81,000	£87,874	£81,000
Tax rate	40%	32.5%	45%	38.1%
Employee's NIC	£1,757	£0	£1,757	£0
Net bonus/dividend	£50,967	£54,675	£46,573	£50,139

Pensions auto-enrolment: a reminder for employers

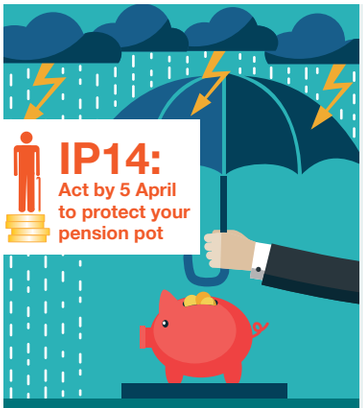
All employers must offer most of their staff a workplace pension. Here's a quick summary of the rules.

You must automatically enrol your UK employees into a workplace pension scheme and make contributions for them if they:

- **are aged between 22 and the state pension age**
- **earn more than £10,000 a year.**

Employees that do not meet these criteria can 'opt in' and may be entitled to a minimum contribution. You can check your 'staging date', the date by which you must have your arrangements up and running, by visiting The Pensions Regulator website at: *www.thepensionsregulator.gov.uk*

The minimum total contribution is currently 2%, of which 1% must be paid by the employer. This will increase to 5% (minimum 2% employer contribution) from April 2018 and then 8% (minimum 3% employer contribution) from April 2019, subject to parliamentary approval.



Protect your pension pot

Act before 5 April 2017 to take advantage of 'Individual Protection 2014'.

The 'lifetime allowance' is a limit on the value of your pension fund that can enjoy favourable tax treatment. This fell from £1.5m to £1.25m on 6 April 2014, and then to £1m on 6 April 2016. However, you may be able to claim an increased lifetime allowance in the following circumstances:

– If the value of your pension pot was more than £1.25m on 5 April 2014, you can elect for 'Individual Protection 2014', which increases the allowance to the value of your fund at 5 April 2014 or, if less, £1.5m. The deadline for this election is 5 April 2017. You can continue to make contributions, subject to the increased lifetime allowance.

– If the 5 April 2016 value of your pension pot was more than £1m, an 'Individual Protection 2016' election increases it to the value on 5 April 2016 (but no more than £1.25m).

– A 'Fixed Protection 2016' (FP16) election sets the lifetime allowance at £1.25m, irrespective of the current size of your pension fund (so might include a projection that a lower, current fund value might grow above £1m). With FP16 no further contributions can be made after 5 April 2016.

The annual limit on payments into defined contributions pension schemes only remains at £40,000 if your income is less than £150,000. Every £2 of earnings above £150,000 reduces the limit by £1 – up to earnings of £210,000 from when the allowance is the minimum £10,000. The calculation is more complex than usual as 'income' is defined here as earnings, but also includes dividends, investment/savings income, employer pension contributions and others.

Please speak to your usual Shipleys adviser if you would like any help with the issues outlined above.

Buy-to-let incorporation

If you're a residential property landlord facing the restriction of income tax relief for your finance costs, it may be worth considering the possibility of incorporation.

With the position on tax relief for interest paid by companies tax seemingly unchanged, residential property landlords who are individuals might consider incorporation. If HM Revenue & Customs accepts that your letting activity constitutes a 'business', which is by no means a given (your time spent on it is a key indicator), then there is no capital gains tax (CGT) to pay on exchanging your properties for shares in a new company that you own. The company is treated as acquiring the property at its market value, but your cost of the shares in the company for CGT purposes, used to work out your capital gain or loss when you sell them, is adjusted to be the same as the original cost of the property.

If the business is a partnership, and the partners' interest in the new company is the same as in the partnership, there should be no stamp duty land tax (SDLT) payable on the transfer. However, if the transferor is a 'solo' landlord, SDLT would be payable on the market value of the properties transferred.

One practical complication is that any mortgage on the property will need to be taken over by the company. Many lenders will either seek repayment or take the opportunity to renegotiate the terms of the loan.

Once the business is incorporated, the landlord(s) may then determine the change in the after-tax income – if the company's profits are distributed as dividends.

The new apprenticeship levy: obligations and opportunities?

Your business might be required to pay the new apprentice levy from April 2017, but will you get anything in return?

The new apprenticeship levy forms part of the Government's plan to create three million new apprenticeships by 2020. It's hoped that businesses will see an increase in productivity as result of apprentice training and that, by boosting the quantity and quality of apprenticeships, more employers will consider them.

How much will it cost employers?
UK employers will be charged 0.5% of their total payroll cost each pay period, but subject to an annual 'levy allowance' of £15,000. This means that only employers with a payroll bill of more than £3m a year will be required to contribute.

What do employers get for their contribution?
The monthly contributions will be credited to a Digital Apprenticeship Service account (DAS) in the form of electronic vouchers, which businesses will have 24 months to use. The Government will also add 10% to the fund, meaning that for every £1 paid in, the employer gets £1.10 to spend.

DAS vouchers can only be spent on training from a provider listed in the Government's register of apprenticeship training organisations (RoATP).

You can choose from two types of apprenticeship training:

- Apprenticeship standards – each standard covers a specific job role and sets out the core skills, knowledge and behaviours an apprentice will need to be fully competent in and able meet an employer's needs. A wide variety of jobs are covered and some are roles within organisations, such as HR support, IT network engineer or assistant accountant, while others are related to specific industries, such as broadcast production assistant, chartered surveyor, financial services administrator or golf club greenkeeper.
- Apprenticeship frameworks – a series of work-related vocational and professional qualifications, with workplace and classroom-based training. This frameworks approach will be phased out between now and 2020, as the transition to employer-led apprenticeship standards is made.

If you want to spend more on training apprentices than the value of your DAS account vouchers, the Government will fund 90% of the extra cost.

Don't miss out
The scheme isn't just for new recruits – it can also fund learning and development for your existing staff. To qualify the apprentice must be employed in a real job, working towards one of the standards or frameworks over at least 12 months, and with off-the-job training at least 20% of the time.
https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/

For further details, please speak to your usual Shipleys contact.

Tell us how you get on

It's tempting to dismiss this sort of opportunity on the basis that it will involve endless forms and bureaucracy to access overpriced training! We will be looking at the scheme in more detail – employers won't be allowed to avoid the cost but may overlook or ignore the benefits.

We're interested in your experiences of the new scheme – so please do let us know how you get on. We may include an update in a future edition of *Shipshape*.

Close companies liquidations

As previously reported in *Shipshape*, in certain circumstances liquidation distributions to individuals will be taxed as though they are dividends, rather than capital gains that would otherwise possibly be subject to tax at 10%. This is aimed particularly at 'phoenix' situations – cases where a company's activity is subsequently carried on by its shareholders. HM Revenue & Customs (HMRC) has published guidance, which may help, but there is as yet no clearance procedure.

Deducting income tax at source

From 6 April 2017 income tax will no longer be deducted at source from interest distributions of open-ended investment companies, authorised unit trusts and investment trust companies, nor from interest on peer-to-peer loans.

New Tax-Free Childcare scheme

The new Tax-Free Childcare (TFC) scheme, originally due to start in 2015, will now roll out in early 2017. The existing scheme, Employer-Supported Childcare, will close to new entrants from April 2018. The TFC scheme will operate through online accounts and for every 80p paid in, the Government will add 20p up to a maximum of £2,000 a year (£4,000 for disabled children) per child. For more details, visit: *https://www.gov.uk/government/news/tax-free-childcare-top-things-childcare-providers-should-know*

Transactions in UK land

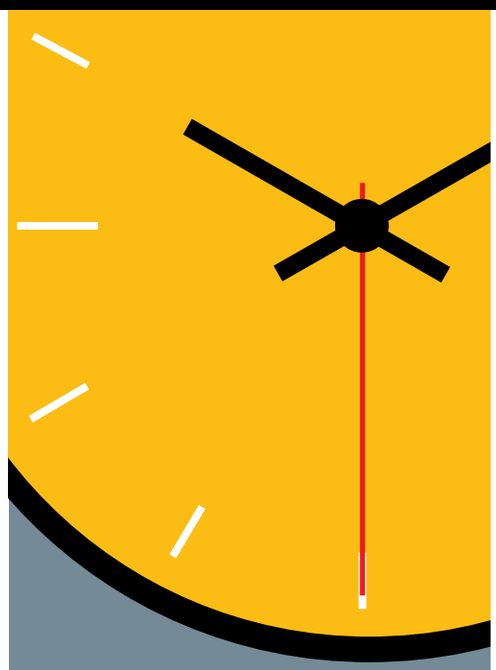
Last year's Budget announcement only seemed to be aimed at non-residents who dealt in or developed land. However, new legislation introduced late in the day in the Finance Act 2016 applies to UK residents as well. Arguably, it does not represent a major change in the position for them, it merely tries to clarify when a gain is seen as income. But in one respect it extends it – possibly taxing as income any gains realised on the disposal of interests in assets deriving their value from UK land held as an investment after development.

Patent box rule change

The patent box rules will change for accounting periods commencing after 31 March 2017, where research and development (R&D) is undertaken collaboratively by two or more companies under a 'cost sharing arrangement'. This is to ensure that such companies are neither penalised nor able to gain an advantage by organising their R&D in this way.

Life insurance policies – chargeable events

With effect from 6 April 2017, the disproportionate tax charges that arise in certain circumstances from life insurance policy part-surrenders and part-assignments will be calculated on a just and reasonable basis.



The end of salary sacrifice as we know it

Subject to any late changes following consultation, and subject to certain transitional reliefs, with effect from 6 April 2017, the income tax and employer NIC advantages of salary sacrifice schemes will end. The term 'salary sacrifice' could be misleading as the change also affects flexible benefit packages with a cash option too.

The taxable value of benefits in kind, where cash has been forgone, will be the higher of the current taxable value and the cash forgone. This includes benefits that are currently tax-exempt. It will not affect pension savings, employer-provided pensions advice, childcare, cycle-to-work schemes and ultra-low emission cars with emissions under 75g/km.

Salary sacrifice arrangements in place at 6 April 2017 won't be affected by the new rules until 6 April 2018 unless those contracts are modified or renewed before then (6 April 2021 for cars, accommodation and school fees).

Other tax changes on the way

Employer-provided pension advice will be tax-free up to £500 from April 2017. Currently it's £150.

Corporation tax payment dates for 'large' companies will be accelerated, from April 2017.

Tax deductibility of **corporate interest** for 'large' companies will be restricted from April 2017.

Corporate loss relief for 'large' companies is to be reformed from April 2017.

Tax relief will apply to expenditure incurred on **electric charge-point equipment** in the period from 23 November 2016 to 31 March 2019 (5 April for income tax purposes).

Vehicle excise duty (VED) or 'road tax' rates on new cars first registered from 1 April 2017 will change. For details, visit: *https://www.gov.uk/vehicle-tax-rate-tables/overview*

Museum and galleries tax relief is to apply from April 2017

At present **stamp duty land tax** is payable within 30 days of completion of a sale. This is to change to 14 days. The exact date of the change has not yet been announced, but seems likely to be early in 2018.

Allowances

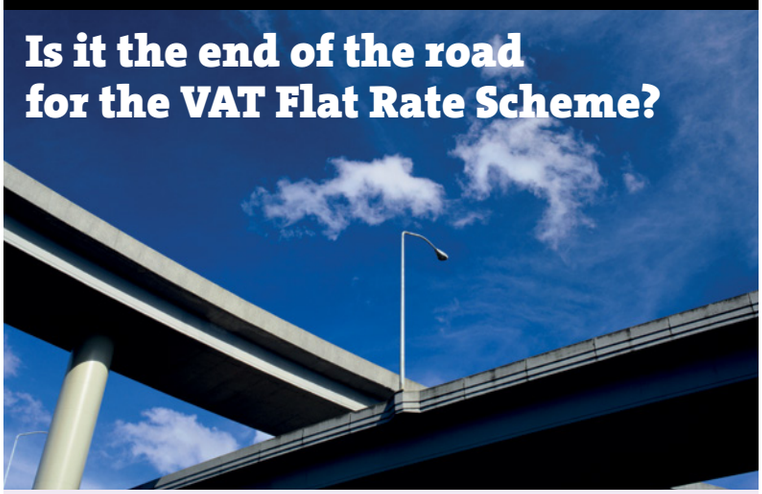
The new £1,000 **property income allowance** applies from 2017/18.

The new £1,000 **trading profit** allowance applies from 2017/18.

Business premises renovations allowance expires on 31 March 2017 for companies and on 5 April 2017 for individuals, so take action now if you are hoping to benefit from either of these.

VAT corner %

Is it the end of the road for the VAT Flat Rate Scheme?



The VAT Flat Rate Scheme (FRS) has been around for a number of years and is a valuable simplification for many small businesses.

The main purpose of the FRS has always been to simplify VAT compliance. In practice, however, many users have paid less VAT than they would have under normal VAT accounting. HM Revenue & Customs (HMRC) now believes that the fiscal advantage is being abused. To combat this, it's expected that from 1 April 2017, a new FRS percentage of 16.5% will have to be applied by any FRS user that counts as a 'limited cost trader'.

A 'limited cost trader' is one where the VAT inclusive expenditure on qualifying goods is either:

- less than 2% of VAT inclusive turnover; or
- more than 2% of VAT inclusive turnover, but less than £1,000 per year (£250 per quarter).

Not all expenditure on goods will count towards the calculation as some items are excluded:

- Capital expenditure
- Food or drink for consumption by the business owner(s) or employees
- Vehicles, vehicle parts or fuel (unless the business carries out transport services)

Although the limited cost test is partly based on annual figures it must be applied every VAT period.

This means that when putting your VAT return together you will need to work out how much has been spent on qualifying goods to see if the limited cost test is failed. If it is, then you must use the 16.5% FRS rate for that quarter rather than your usual FRS percentage.

In light of these changes, if you use the FRS, you should review your situation and consider whether it's worthwhile to continue using it. Bear in mind that HMRC does not, normally, allow a backdated exit from the scheme.

Case study

For example, a journalist with VAT-inclusive turnover of £31,459 in the quarter ending June 2017 and VAT-inclusive expenditure on books and stationery of £630 would pay VAT using the FRS rate of 12.5%, which amounts to £3,932.38 for that quarter.

If, however, he had paid only £625 for the goods that would be less than 2% of turnover which would mean that the limited cost test would be failed even though he spent more than £250. He would therefore have to account for FRS VAT at 16.5% and need to pay an additional £1,258 for the quarter.

Research, family support and access to treatment

Solving Kids' Cancer is a parent-led charity for children with aggressive and rare cancers. New CEO Stephen Richards tells Shipshape *about the charity's mission to help more families benefit from its services.*

"We value the personal service we receive from Shipleys. It's not only during the audit that we have contact – I feel I can always speak to them about issues they can give guidance on. They seem truly interested in the charity and its success."

Founded over ten years ago, Solving Kids' Cancer helps raise funding to pay for treatments and clinical trials in Europe and the USA which are not yet available in the UK. It also lobbies policymakers to help children with rare cancers access evidence-based care and support in the UK. The charity has specific expertise in neuroblastoma, a cancer of the neural crest cells involved in the development of the nervous system and other tissues.

"Around 100 children are diagnosed in the UK each year with this particularly devastating cancer," explains Stephen Richards, who recently joined the charity, having previously worked for Macmillan Cancer Support. Based at Old Street, London, it has nine members of staff and around 19 office-based volunteers.

"We're very careful about making the best use of donations. We fund a small team who provide emotional, practical and clinical support to families to help them make the right choices for their children's treatment."

Knowledge and support

More than 150 parents, children, clinicians and researchers from around the world attended the charity's latest annual residential Neuroblastoma Parent Education Conference. "It was the first time I had attended," says Stephen. "It was wonderful to see parents, clinicians and researchers meeting and discussing the latest treatments and clinical trials in a way which was informative and equal. It amazed me how much knowledge the parents have and how passionate and committed they are to obtain the best for their child. I was also impressed by the clinicians and researchers – many had travelled from the USA, Germany and Spain – in how open they were to have a dialogue with the parents. It's also a chance for families and children to get together and share experiences, receive and give support."

A current focus for the charity is to challenge the National Institute for Health and Care Excellence's (NICE) decision not to approve immunotherapy for NHS use in England and Wales – largely because of cost. "Immunotherapy has been proven to be an effective form of treatment for some cancers, including neuroblastoma. It means families need to raise up to £250,000 to access the treatment abroad."

Sharpening our focus

"Fundraising is a challenge as we're a small organisation without the funds to promote ourselves compared with other larger charities," explains Stephen, who says the charity is embarking on a strategic review to better focus on its goals. "We want to continue to use donations to best effect and be more thorough at measuring the difference we make. We also want to be more effective at communicating our message so that more families can benefit from our services."

A helping hand from Shipleys

Solving Kids' Cancer has been a client of Shipleys for over five years. "Shipleys helps us make sense of our financial numbers so we comply with legislation and best practice, introducing us to other organisations that we can learn from. Their technical expertise is second-to-none and for a small (but ambitious) charity such as ourselves to be able to access such a service is very reassuring."

Want to help?

Solving Kids' Cancer would be delighted to work in partnership with readers of *Shipshape*.
For more information, email: *stephen.richards@solvingkidscancer.org.uk*
or visit the website: *https://solvingkidscancer.org.uk/*

Solving Kids' Cancer

Shipleys news

Shipleys' charity tuck shop

Mick Jones has been running a tuck shop for Shipleys staff in the London office for the past few years, with all profits going to charity. Over the past year, it has raised more than £500 for a range of charities including Matthew's Friends, the Poppy Appeal, Parkinson's UK, Breast Cancer UK and The Connection at St Martin's.

Exam results

Congratulations to Lizzi Gear who has passed her final exams and is now ACA exam qualified.

Hyde Park Relays

Shipleys' team included (left to right): Alice Ancrum, Peter Mackintosh, James Tobin and Luke Barron

Well done to Shipleys' team 'Scrambled Legs' who recently took part in the 69th annual Hyde Park Relays, organised by Imperial College. Out of 89 teams completing 5km laps of the park, they came a very respectable 36th.

What's new on the Shipleys website

Visit our website for details on the non-dom tax reforms and updated information on the rules around offshore trusts.

You'll also find the January FCA and Financial Services Newsletter.

Shipleys probate service: coming soon

Well done to Joe Kinton and Mike Luckett who have both recently passed their probate exams. This is the first step in Shipleys' plans to establish a specialist probate service, which we will offer our clients alongside our general tax and advisory work.

Our website will be updated as soon as we have more information.

Where are they now?

Shipleys Alumni

Paul Druckman is well known among Shipleys alumni and current staff. He joined in 1974, qualified with us and is a former president of the Institute of Chartered Accountants in England & Wales. He has recently been appointed a non-executive director of the Financial Reporting Council.

In welcoming Paul to his new role, FRC chairman Sir Winn Bischoff said: "Paul is a committed global leader in capital market reform – from corporate governance to reporting, accounting and sustainability. His business experience, including in start-up and growing businesses, will be valuable as the FRC responds to the Government's review of corporate governance and prepares for Brexit."

Matthew Brown joined Shipleys as a trainee in 2009 and was a qualified ACA and supervisor in our audit team when he left in September 2014. He's now the finance director at impulse gift designers NPW, which supplies high street retailers with trend-led beauty, stationery and gift products.

"I enjoy putting my accounting knowledge and skills into practice to help make commercial and strategic decisions to drive the business forward," says Matthew. "Also, with lots of fun products around there is never a dull day in the office!"

Matthew explains that working with a variety of sizes of business at Shipleys was really helpful in providing the relevant structure at the right time to NPW's growing business. "Exposure to decision makers in businesses early on in my career improved my soft skills which are invaluable when managing numerous stakeholders."

Matt says he remains a keen cyclist and is looking forward to getting married in the summer.

AGN member focus

Chiampou Travis Besaw & Kershner LLP, USA

Chiampou Travis Besaw & Kershner LLP has grown from just 6 to 115 employees since its establishment in 1994. Today, the firm is one of the top ten certified public accounting firms in the Buffalo/Niagara Falls, New York area, and offers a non-departmentalised approach to providing accounting, auditing, tax, business valuations and consulting services.

USA outlook

Following the election of President Trump, tax reform is imminent. He wants to reduce the corporate tax rate from 35% (which is the highest rate in the world) to 15%, and would impact both foreign and US companies alike. He may also provide a repatriation tax rate incentive to encourage US companies to bring foreign earnings back to the US. The reform is intended to eliminate incentives for companies to move abroad, which in turn will hopefully generate more jobs in the US. Stay tuned!

www.ctbk.com

Investing in society

The Government's Social Investment Tax Relief scheme fuses investing with social improvement.

What is social investment?
Socially responsible and ethical investments aren't new. They involve excluding investments that can have a negative impact on society – tobacco, alcohol and so on. But the investor still expects a decent return.

Social investment takes this a significant step further as investment is in an enterprise whose aim is to make a positive social impact. Examples include projects that tackle homelessness, support those with mental health issues or rehabilitate ex-offenders. These organisations aim to be self-sustaining by operating on a commercial basis rather than relying on donations or government funding. A project with the homeless might include training them to be baristas and helping them set up their own coffee carts, while the rehabilitation project could entail prison inmates baking bread which is sold commercially.

30%
income tax relief on investment (up to £1m) in social enterprises

Shares and loans
These investments typically take the form of a loan with the lender receiving interest, rather than shares. This has the advantage that there is a fixed time (at least three years) after which the investor hopes to get their money back. On the downside there is no expectation of, say, the investment doubling in value. Equity or share-based investments are possible but such opportunities have so far been few and far between.

The big picture
The Government wants to reduce its involvement in these activities and is keen to promote these independently-run social projects. It has chosen to use tax reliefs to drive the change.

Is it right for me?
People are becoming increasingly keen to 'put something back', but not everyone wants to make, and can afford, outright donations. With a loan that qualifies for Social Investment Tax Relief (SITR), you can make a positive contribution to society by putting your capital at risk, rather than by just giving it away. There's the opportunity to see the difference it has made and to get more involved, perhaps contributing some time, advice or introducing useful connections. And of course if you get all your money back, you could reinvest it in another social enterprise. Your choice of investment is likely to be influenced by your enthusiasm for a cause and your confidence in the social enterprise's business plan. If you use all of the available tax credit and the loan is fully repaid, then after three years your return would be in excess of 42%.

We can't advise on specific investment decisions and that includes social investments. An independent financial adviser (IFA) can help you decide whether they are right for you, how much capital you want to risk, and to understand the level of that risk. Many IFAs who get involved with selecting social investments use a specialist to help evaluate the opportunities.

Speak to your usual Shipleys contact for more information.

Tax incentives

The scheme provides incentives to individual taxpayers, similar to the Enterprise Investment Scheme. These include:

- An income tax credit equal to 30% of the investment for the year in which it is made, or the previous tax year.
- The tax on other capital gains (e.g. a holiday home or share portfolio) can be deferred by re-investing the gain in a SITR investment (provided this is made in the period beginning one year before and ending three years after the gain arose, and between 6 April 2014 and 5 April 2019). The gain is deferred until you dispose of the SITR investment or it ceases to qualify.

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