Tied up in red tape?

Battling the regulatory burden on UK business

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Real Time Information shakes up payroll
Are you affected by the changes to child benefit?

Important news for offshore bank account holders

Client profile:
W. J. Daniel & Co. Ltd

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

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**This Shipshape in numbers**

- **£12bn**
  estimated annual cost to employers of new employment regulations since 1998
- **21,000**
  regulations affecting UK businesses
- **£150k**
  turnover threshold for joining the VAT flat rate scheme
- **£2m+**
  value of properties over which the new Annual Residential Property Tax will apply
- **1500%**
  increase in number of pages in Butterworth’s yellow tax handbook since 1966
- **9**
  maximum number of employees allowed for a company to use HMRC’s free Basic PAYE Tools
Is it simply red tape holding UK businesses back?

When you’re up to your arse in alligators it’s difficult to remember that the original idea was to clear the swamp!

The consensus among government, the business community and almost anyone you care to ask – many of our clients included – is that the burden of red tape is putting an ever-increasing strain on UK enterprise.

A raft of rules and regulations – everything from employment law to consumer protection to health & safety, many emanating from Brussels – are seen as making it increasingly difficult for businesses to survive, grow and compete, and seem to have a disproportionate impact on smaller businesses.

Clearly, some regulation is needed, but the never-ending inspections and bureaucracy that go with it continue to balloon and need to be simplified. We need to strike a balance between meeting policy goals and limiting the impact on smaller businesses.

Promised you a miracle?
The government’s response has been to launch its ‘Red Tape Challenge’ to encourage debate and promote an open discussion of ways in which the aims of existing regulation can be fulfilled in the least burdensome way possible (www.redtapechallenge.cabinetoffice.gov.uk). As part of this the Government has pledged to blitz bureaucracy with its ‘one-in, one-out’ rule when government departments are considering new regulations. ‘One in, two out’ was even proposed!

But at the same time, businesses are being asked to jump through lots of new hoops: the new rules on pensions auto-enrolment are already affecting larger employers and will hit smaller ones in 2015; and from April 2013, employers must make PAYE reports before each pay day rather than only at the end of the year – so called Real Time Information – a huge additional compliance burden.

We look at a number of these issues in this edition of Shipshape.

The heat is on
On top of all this we have the burden of tax with the ever-changing legislation, often introduced with the claim of simplification, but rarely achieving this in practice.

Supposedly a simpler income tax scheme for small, unincorporated businesses will be available from 2013/14. And there are already some ways – such as the VAT Flat Rate Schemes featured later in this issue – that smaller businesses can reduce time spent dealing with the tax man and might even save them money as well.

Governments all over the world are looking to maximise their tax revenues and make sure they get what they consider to be their fair share. Multinationals such as Starbucks, Amazon and Google have recently come under the spotlight and experienced the wrath of the Government and consumers. David Cameron and others are, quite rightly, stressing the need for international co-operation, and we can only hope that a sensible joined-up approach will follow, rather than a plethora of overlapping rules from countries competing for tax revenue.

Gimme, gimme, gimme
On the home front, HMRC recently lost a case against the troubled Rangers Football Club, which had used an Employee Benefits Trust to pay employees and players in the form of almost tax-free loans. The Tax Tribunal concluded that the payments were loans that could be repaid and that this was legal.

Internationally, inter-government agreements such as the Liechtenstein Disclosure Agreement are being used to encourage those with funds offshore to come forward. The Isle of Man has announced similar plans and no doubt others will follow. HMRC is acting on information about those with offshore bank accounts.

Further measures to counter avoidance and evasion around foreign bank levies, a tax mismatch scheme, property return swaps, manufactured payments and payments of patent royalties have been announced. And not forgetting the new General Anti-Abuse Rule expected to apply sometime in July.

So as far as tax revenues are concerned, governments everywhere are actively trying to get what they see, sometimes rightly, as their share of the cake. But with our economy and those elsewhere still struggling, this raises an important question about what, if anything, is being done to make the cake bigger so everyone can enjoy a large enough slice?

We would welcome your views on this. And we will do what we can to help you comply with government regulation, so that you can invest your energy and resources into growth. As for me, I’m off to yet another compliance meeting to see how we address the bureaucratic demands on our own business.
From April this year, employers will have to report detailed payroll information to HM Revenue & Customs before paying their staff. Known as Real Time Information (RTI), it’s being described as the biggest change to the PAYE system since its introduction in 1944!

Until now, payroll information has been submitted after the end of the tax year in the annual return form. But employers will now be required to disclose the hours worked and amounts due to each employee every time they are paid – in real time.

Why the change?
The main reason is Universal Credit, the new single payment intended to simplify benefits for the unemployed and low earners, due to be introduced in October this year. By using the information submitted through RTI, it is intended that benefit payments will be adjusted on a monthly basis. It’s estimated that a reduction in fraud and errors will save some £2bn over five years.

Is your system ready?
HMRC is contacting all employers asking for their employee data, which will then be checked against its database and validated. This is known as the Employer Alignment Submission (EAS) or a first Full Payment Submission (FPS). This first submission must also cover joiners and leavers in the tax year.

Those with nine or fewer employees can use HMRC’s free Basic PAYE Tools but others will have to use compliant commercial payroll software or use a payroll services provider.

Accuracy of employee data is key
If an employee’s data has not been validated by HMRC, it will not be possible to process any payments. It’s crucial that employee data is accurate. The full pay, tax and national insurance information for each employee must be filed and validated before they can be paid. There are some minor exceptions where reporting is allowed up to seven days after a payment. A recent HMRC records check revealed that 100 people had the surname ‘do not use’ and 40 were more than 200 years old!

Impact of the changes
A substantial proportion of businesses that fail have significant PAYE and NICs arrears. These are sometimes regarded as self-sanctioned sources of funds, significantly easier to obtain and perhaps more flexible than a bank loan. One result of the changes is likely to be that the use of deductions from employee salaries or wages to assist with cash flow will come to an end.

Don’t be caught out
Employers who draw a mixture of salary/bonus, dividends or benefits from their businesses need to ensure that the chosen option is properly recorded at the time payment is made. If dividends are chosen it is increasingly important that the board minutes (of the decision), the dividend vouchers and accounting entries are completed at the time. Failure to do so may, in some circumstances, be construed as fraudulent.

The paperwork
- P14 form and employers summary form P35 – these will no longer be required at the end of each tax year. Instead employers will simply flag the last pay period in the tax year.
- P45 and P46 forms for leavers and joiners – these must still be completed but will no longer need to be submitted to HMRC.
- P60 form (certificate of pay and tax deducted) – must still be provided to employees and P11d forms must continue to be used to report details of expense payments and benefits.

Action required
With the legal requirement to report PAYE in real time looming, it’s important your business is prepared for this big change. Make sure all your employee data is accurate and up to date without delay, and that you will be able to provide this information in the format required by HMRC. Please refer to the enclosed flyer for more information and go to our website www.shipleys.com

“RTI delivers on all fronts. Business costs will be cut by £300m a year, employees will be taxed more accurately and fraud and error in the tax credit system will be reduced”
Lin Homer, CEO of HMRC
Making VAT simpler
The VAT flat rate scheme (FRS) has been around for more than ten years and after a rocky start has proved extremely popular. Although it is supposed to be nothing more than a simplified method for calculating the VAT return figures, most users save money.

If you’re thinking of using the FRS it’s important to choose your start date with care as HM Revenue & Customs rarely allows backdated participation unless the circumstances are exceptional. Notably, it will not be allowed where VAT returns have already been submitted, as the aim of the FRS is to simplify VAT compliance.

Are you eligible?
There are separate annual turnover thresholds for joining and leaving the FRS, each calculated in a slightly different way.

Joining threshold: £150k
this is turnover excluding VAT on sales at the 20%, 5% or 0% rates, and not including sales of capital assets or sales that are exempt or outside the scope of VAT.

Leaving threshold: £230k
this is turnover including VAT on sales at the 20%, 5% or 0% rates and income exempt from VAT, but not sales of capital assets.

Those that can’t join the FRS include:
• users of the margin schemes
• those required to use the Capital Goods Scheme
• companies eligible to be in a VAT group
• businesses associated with other businesses.

How it works
The amount of VAT you pay under the FRS depends on which business sector you’re in. When you apply, you choose which sector your business belongs to. In most cases this should be obvious from the list in the FRS VAT Notice (Notice 733) but if in doubt there is a more detailed list on the HMRC website (www.hmrc.gov.uk).

It’s advisable to keep a record of why you made your choice of business sector because if it turns out to be wrong but was reasonable, HMRC cannot backdate use of a higher rate.

The FRS percentages range from 14.5% for architects to 4% for food retail, and newly VAT registered businesses get a 1% discount for the first year of VAT registration. To calculate VAT payable, you simply apply the FRS percentage to your VAT inclusive turnover. Items not normally taken into the calculation are things like interest earned from a business bank account or services supplied to foreign clients.

However, because VAT inclusive turnover includes exempt and zero-rated sources of income such as insurance commission, rental income, selling groceries, books, children’s clothing, or making intra-EU supplies of goods, if your business has high levels of non-VATable income, you may find that the FRS is not beneficial to you.

Input VAT can only be claimed where VAT is incurred on the acquisition of ‘capital expenditure goods’ costing £2,000 or more (including VAT). This is because the FRS percentages include an input VAT allowance for typical businesses in each sector. So, a business with lower costs than envisaged is likely to gain a financial advantage because VAT will continue to be charged to customers at 20%, but the maximum payable to HMRC is, say, 14.5%. Whereas a business with higher costs, such as a new business in its first year of operation, may benefit from staying out of the FRS while costs are high.

Opting out
You can volunteer to leave the FRS at any time, although it may be simpler to wait until the end of a VAT quarter. HMRC must be informed in writing and some extra calculations may be needed depending on your circumstances. Compulsory exit can occur where total income exceeds the exit threshold of £230,000 or the business is no longer eligible (see above).
The factors which determine whether or not an individual is resident in the UK are not currently set out in UK statute. Previously, the issue has been determined by HMRC guidance publications, case law, concessions and established practice. From time to time HMRC has indicated that they might re-interpret their own guidance, which has in turn led to uncertainty and a headache for taxpayers and advisers. But we now have proposed legislation and a clearer idea of how the new Statutory Residence Test (SRT) will work, as draft clauses were published in December for the Finance Bill.

Some minor changes have been introduced to the legislation determining who is resident in the UK for tax purposes, and it will now be subject to further consultation. Whether or not an individual is UK resident for tax purposes is important in determining which of their income and capital gains are subject to UK tax.

Although the SRT will come into effect from 6 April 2013, some definitions of the terms it uses will only be included in separate guidance notes due to be issued in the summer of 2013, meaning an unwelcome period of uncertainty until then.

Some of the new points to consider are detailed below.

Permitted days in the UK for full-time overseas workers
The number of days an individual who has left the UK to take up full-time work overseas may spend working in the UK during a tax year without being UK resident has increased to 30 days. An individual will continue to be treated as spending a workday in the UK if they spend three hours or more in a day working in the UK. However, work related travel time will be treated as time spent working and the Government has decided not to relax this approach despite concerns raised during the consultation process.

Working full-time in the UK
It was originally proposed that an individual would be treated as working full-time in the UK if they were employed or self-employed in the UK for a continuous period of nine months. Following consultation this qualifying period has been raised to 12 months.

Definition of ‘home’
The revised draft legislation introduces the idea that a home must be a structure or building, and must have a degree of stability and permanence. For example,
Overview of the new statutory test

The new test will be in three parts:

1. The ‘automatic overseas test’. The factors on their own sufficient to conclusively make an individual non-UK resident
2. The ‘automatic residence test’. Those factors on their own sufficient to conclusively determine an individual is UK resident
3. The ‘sufficient ties’ test. Connection factors and day counting rules to be used where neither of the first two tests is conclusive.

Where an individual owns a property and then sublets it, the property will not be treated as the individual’s home. Similarly, holiday homes or temporary retreats will not be treated as a home for the purposes of the test. A ‘minimum presence’ test has also been introduced. A home where an individual spends less than 30 days in any tax year will be disregarded as a home under the Automatic Residence Test.

Number of days resident in the UK

At present, a day of residence is defined as a day where an individual is present in the UK at midnight at the end of the day. The Government has been concerned that individuals may spend a large number of days in the UK where they arrive and leave before midnight, and avoid being caught by the existing test. The Government has therefore introduced a ‘deeming provision’ applying to individuals who:

- have been resident in the UK for one or more of the three previous tax years
- have at least three ties for the tax year and
- on more than 30 days are present in the UK at some point, but not at midnight.

Where this test is met, those individuals who are caught will have any days over the 30-day limit counted as days of residence in the UK even when they leave before midnight. This test will not, however, apply to those leaving to work overseas under a full time employment contract.

Overseas Workday Relief

The concept of ordinary residence will be abolished. However, in a new and welcome development, Overseas Workday Relief (OWR) will be extended to apply to all non-domiciled individuals who come to work in the UK and weren’t resident in the UK for the three tax years prior to their arrival. OWR enables workers taxed on the remittance basis to be taxed on earnings that relate to duties performed overseas only when they are remitted to the UK.

There is no longer a requirement for those individuals to demonstrate that they intend to remain in the UK for less than three years and the relief will not be withdrawn when the individual establishes more permanent links to the UK, for example buying a home. OWR will apply for the tax year of their arrival and the following two tax years.

News round-up

Do you hold an offshore bank account?

It was recently reported in the press that details of 4,388 British residents holding HSBC bank accounts in Jersey had been stolen and leaked to HM Revenue & Customs. This comes after a similar episode, dubbed the ‘Lagarde list’ involving HSBC account holders in Switzerland, following which HMRC set up a special unit to overcome the obstacles in dealing with Swiss banks and to act on the information. In that instance, account holders were contacted by HMRC and asked to sign a disclosure that all aspects of their tax returns were correct or to report any wrongdoing. This effectively amounted to a full, multi-year, disclosure which needed very careful consideration.

Such matters can be very serious and even lead to a criminal investigation, which can involve the search of premises in the UK and abroad. Those affected may wish to take advantage of the Liechtenstein Disclosure Facility, which has been extended to 5 April 2016. Some 2,500 taxpayers have already gone down this route, which has raised £363m for HMRC! To take advantage of this option a number of steps need to be completed before taxpayers approach HMRC and in advance of an enquiry from HMRC. Urgent action may therefore be required.

Workplace pensions – a reminder

Auto-enrolment

Pensions auto-enrolment requires employers to enroll eligible employees into a qualifying workplace pension scheme. The rules came into force for some firms with 250 or more employees in October 2012. All employers will eventually be affected. Employers can use their existing pension scheme if they have one, as long as it meets the new rules, or those offered by other pension companies such as National Employment Savings Trust (NEST) – www.nestpensions.org.uk

Who’s included?

Employees must be enrolled if they’re between 22 and the state pension age, and earning above the income tax personal allowance (£8,105 in 2012/13). Those aged 16-21 or earning more than the National Insurance (NI) primary threshold (£5,564 in 2012/13) must be enrolled if they apply to join. Qualifying earnings are earnings over the NI primary threshold, up to a limit set by the Government (the current limit is £42,475). Employees may opt out, but must first be enrolled in the pension scheme. Opting out only lasts three years, following which the employer must enrol the employee again.

Phasing in

Pensions obligations are being applied in stages. For smaller firms the rules will generally come into force between 2014 and 2017. For new employers the start date will be 2017 or 2018.

Smaller employers who are not currently required to have a scheme might want to consider setting one up now. This will allow small pension payments to be made and increased gradually, rather than suddenly starting the required contributions for employees when they become compulsory, which may have a significant effect on overall payroll costs. The latest official information is at www.dwp.gov.uk/policy/pensions-reform/workplace-pension-reform/toolkit.
New tax rules for high value homes
The government has announced details of the annual charge on UK residences worth more than £2m. Originally proposed in last March's Budget, and coming into effect from 6 April 2013, the Annual Residential Property Tax (ARPT), as it will now be known, will apply to ‘non-natural persons’, such as companies (including UK companies), which owned UK residences worth more than £2m on 1 April 2012. It also applies to homes acquired after that date for more than £2m.

There are exemptions for dwellings owned by dealers and developers, let to unconnected tenants, open to the public, or used in the course of a trade such as farmhouses.

The amount of the charge payable each year depends on which ‘band’ the property falls in. However, unlike Council Tax bands, which have stayed the same for years, the ARPT charging bands have initially been set for five years, so those affected will pay between £15,000 (properties up to £5m) and £140,000 (over £20m).

Those caught by the ARPT will also be subject to the new capital gains tax charge at 28%. This will not apply to non-resident trusts (which had previously been suggested). Nor will it apply to gains realised by non-natural persons on disposal of shares in companies owning such property (as had also been suggested) but it will apply to UK resident companies.

The tax will apply to disposals from 6 April 2013 but only to that part of the gain attributable to periods after 5 April 2013, to which the ARPT applies. UK resident companies will remain subject to corporation tax on other gains. There will be marginal relief, limiting the taxable amount to 1/3rds of the excess of disposal proceeds over £2m. Losses will be limited, effectively making disposal proceeds not less than £2m.

The actual disposal proceeds will generally be accepted for CGT purposes, save that there will be ‘anti-fragmentation’ rules and in certain cases, such as sales between connected persons, market value will be substituted.

Disincorporation relief
A system of disincorporation relief is to be available from 1 April 2013 for five years, where the value of the assets transferred doesn’t exceed £100,000.

Corporation tax reliefs for the creative sector
Legislation will be introduced to support investment in the production of high-end television, animation, and video games. This will take the form of a payable tax credit worth up to 25% of qualifying production expenditure, and is extended to include high-end documentaries, and programmes where animation makes up 51% or more of the total production costs. For more information visit our website www.shipleys.com

Stamp Duty Land Tax
The 15% rate of Stamp Duty Land Tax (SDLT) is not to apply to those engaged in a property rental business, property traders, traders that exploit a dwelling to generate income by providing access to a significant part of the interior, dwellings used to house employees or partners with a limited interest in the company or partnership, and farmhouses.

This will only apply if the property continues to satisfy the relevant qualifying conditions throughout the three years following purchase. The measure is to have effect for land transactions where the effective date is on or after the Royal Assent to the Finance Bill 2013.

Transfers to non-UK domiciled spouses
The cumulative inheritance tax exemption for transfers to a non-domiciled spouse or civil partner by someone domiciled in the UK has been £55,000 for nearly 30 years. From 6 April 2013 this is to be increased to a sum equal to the nil-rate band, (currently £325,000). Alternatively, to qualify for complete exemption, the transferee will be given the right to elect to be deemed domiciled in the UK for inheritance tax purposes.

Income tax and national insurance contributions reform
The Government will wait for further progress on planned operational changes to the tax system before formally consulting on the integration of the operation of income tax and national insurance contributions.

R&D credits
A taxable ‘above the line’ research and development (R&D) credit of 9.1% will apply to large company R&D expenditure incurred after 31 March 2013. The credit will be:

• fully payable to companies with no corporation tax liability

• introduced alongside the existing super-deduction from 1 April 2013 and legislated to fully replace the super-deduction from 1 April 2016, and

• paid at a higher headline rate to companies in the oil and gas ring-fence.

Capital allowances for cars
The 100% first year allowance (FYA) for expenditure incurred on cars with low CO2 emissions and electric cars will be extended for an additional two years to 31 March 2015. Legislation will be introduced to exclude from the FYA expenditure on cars that are to be leased, and to revalorise the emission thresholds that determine the rates of writing down allowances for business cars. These changes will have effect for expenditure incurred after 31 March 2013.

Pension drawdown level to increase
The pension drawdown level is to increase from 100% to 120% of a comparable annuity rate, with effect from a date as yet unknown, but sometime in 2013. From 6 April 2014 the annual maximum pension contribution level is to be cut from £50,000 to £40,000 and the lifetime maximum from £1.5m to £1.25m, with ‘transitional fixed protection’ available for those whose pension fund already exceeds £1.25m.

Cap on unlimited tax reliefs
With effect from 6 April 2013 income tax reliefs will be capped at £50,000 or, if more, 25% of income. The reliefs capped include trade losses, losses on shares (but not those qualifying for EIS or SEIS relief) and interest.

Annual investment allowance
The annual investment allowance for expenditure on plant & machinery increased from £25,000 to £250,000 with effect from 1 January 2013 for two years.

Employee shareholder shares
As announced on 8 October 2012, the Government will create a new employment status, to be known as the ‘employee shareholder’ status. Individuals adopting this status will receive a minimum of £2,000 worth of shares. Legislation will be introduced to exempt all gains made on disposals of up to £50,000 worth of ‘employee shareholder’ shares from capital gains tax. This exemption will commence on 6 April 2013.
Removal of VAT benefit

With effect from 1 December 2012 foreign businesses that trade in the UK but do not set up an establishment here, may have to register for VAT as they no longer benefit from the £77,000 VAT registration threshold.

This is most likely to affect businesses that supply goods or services to consumers rather than those that engage in B2B transactions. For example, a foreign business selling gifts from temporary stalls at Christmas markets will have an immediate requirement to apply for VAT registration.

Small businesses that are UK based are not affected by this change and can remain unregistered while their turnover is below the £77,000 threshold.

Time to relax

HMRC has announced a relaxation of policy in respect of the application of the transfer of a going concern (TOGC) treatment to property letting and property development businesses, following the Tribunal case of Robinson Family Limited.

In order for TOGC to apply to the transfer of such a business, HMRC had required the seller’s existing interest in the property to be transferred to the buyer and would not allow TOGC where a new interest, such as the grant of a long lease, was created.

Following the Robinson Family case HMRC now accepts that TOGC can apply where a new lease is granted but only where the interest retained by the seller represents no more than 1% of the value of the property.

The main impact of this change of policy is that some taxpayers will have paid too much stamp duty land tax but there has been no information from HMRC as to whether or not it will be possible to claim a refund. As soon as we have any news we will post something on our website.

Do you still need your option to tax?

Because some commercial tenants can’t recover VAT on rent they pay, landlords may want to consider the possibility of cancelling the previously applied option to tax.

When the option to tax (OTT) was introduced on 1 August 1989 it seemed like a good idea because it enabled developers of commercial property to register and recover VAT. The quid pro quo was that VAT would apply to the rent paid by their tenants but it was assumed that the majority would not object, as they would be able to recover the VAT. In practice there are a significant number of commercial tenants that cannot recover VAT, for whom paying VAT on rent introduces an automatic 20% increase in this cost.

Commercial landlords have, therefore, come under increasing pressure to find ways of minimising the impact of the VAT charge or eliminating it altogether. One possible course of action where an OTT has been in place for at least 20 years is revocation. The 20-year period runs from the first day that the OTT took effect so those commercial landlords who made an OTT from day one can now consider revocation.

The conditions

The procedure for revocation is relatively straightforward. If the relevant conditions are met it is merely a form-filling exercise. If, however, the only condition that can be fulfilled is the 20 year condition then permission from HM Revenue & Customs is required.

The conditions themselves are designed to weed out situations where an undue benefit will accrue to the taxpayer such as:

- the property being within the Capital Goods Scheme; or
- rent, lease premiums and similar at less than Open Market Value during the previous ten years; or
- some form of pre-payment has been made in relation to the rent or lease taking place after revocation.

It should be remembered that once the OTT is revoked it will no longer be possible to recover VAT incurred on costs as the rental income will be exempt and the landlord may become partly exempt or no longer eligible to remain registered for VAT.
Shipshape talks to John Daniel of Daniel Department Stores, which has been a family-run business for over 110 years.

Daniel Department Stores first opened its doors in 1901 as a small drapers shop in Ealing. Today it is still run by the same family and has three stores – a large department store in Windsor and two smaller shops in Ealing and Chiswick.

“Daniel’s success can be attributed to a fantastic team of staff, supported by a very hands-on approach by the family,” explains joint managing director John Daniel. “Founder Walter James Daniel and his son Charles Daniel had the foresight to purchase the department stores as freehold property and this has been the bedrock of the business. The company has never paid out all its profits to shareholders, which has allowed the store to continually re-invest in property and refurbishment. In addition, we’ve been selling the right merchandise for over 110 years.”

Royal seal of approval
The stores sell many strong brands across their homeware, fashion, musical instruments, sports and toy departments. Membership of buying group AIS, which is made up of 450 independent stores nationwide, provides similar buying power to groups such as House of Fraser, Debenhams and John Lewis. Daniel Stores are proud holders of Her Majesty The Queen’s Royal Warrant and were awarded the 2011 Independent Toy Retailer of the Year Award.

Commenting on the current retail environment, John says that in recent years the retail multiples
have squeezed margins and made it harder to compete. While the company was initially successful selling online at competitive prices, more recently many manufacturers have introduced pricing agreements that have reduced gross margins. Higher raw material prices, rates and utility costs also continue to put pressure on profit margins.

**Cutting through the red tape**

On the subject of red tape, John says that this cost the company considerable time and money. Daniel’s restaurants, for example, have to carry out regular nutrition and hygiene training, and staff are regularly trained in areas such as manual handling, fire and protective equipment. The introduction of the new pension regulations are expected to be yet another administrative burden, as well as a financial cost to the business.

John believes that the Government could do more to help UK businesses – for example stimulating investment through enhanced capital allowances. “Businesses are now paying a fifth of their sales revenue in VAT, while National Insurance and business rates continue to increase. He’d like to see the Government apply pressure on the Bank of England to maintain interest rates at a low level and somehow ensure that this is reflected in the interest rate on loans and other financial support provided by the banking sector.”

With many multinationals currently under fire for mitigating their tax liability in the UK by transferring UK profits to other jurisdictions, John believes that “all businesses should contribute to the economy in a fair and proportional way”.

**Shipleys support**

Shipleys provides Daniel with tax and compliance support. “Nancy Cruickshanks, a former VAT officer, gave us very strong VAT support during a VAT inspection and Penny Brockhurst, an ex-inspector, has a great insight into taxation which is invaluable to us” explains John. We would also like to extend our appreciation to Graham Baxter and Simon Robinson.”

**Future plans**

The Windsor department store has recently been extended to more than 70,000 sq ft and is in the process of introducing a number of new concessions and departments, such as televisions. With the current challenging economic conditions expected to continue for at least the majority of 2013, while operating in an increasingly competitive market place, John says the company will “continue to regularly review our trading strategies to maintain a competitive advantage, ultimately to sustain value for money for our customers and at the same time make Daniel an exciting place to be”.

Daniel would like to extend a warm welcome to Shipleys’ clients visiting one of its stores. www.danielstores.co.uk
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