Autumn 2017

Financial and business intelligence

SHIPSHAPE

Nowhere to hide

Big data or Big Brother in disguise?

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 or Clare Schorah at our London office.

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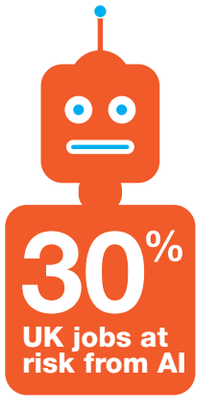

Finance Act this year

new data protection regulations come into force

4 tax returns a year instead of 1 due to Making Tax Digital

minimum share capital in a limited company

UK tax revenues last year

05.10.18
annual deadline to register complex estates

40% to 36%
cut
in inheritance tax rate for charitable bequests

Viewpoint: Simon Robinson
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There's a hole in my Budget

The whole business of setting taxes and government spending will hopefully get a whole lot simpler now that there will be just one Budget statement a year instead of two. Chancellor Philip Hammond's first Autumn Budget, set for November 22, should contain some news of real interest.

The Government has recently shown signs of 'rowing back' from its toughest austerity measures as the outcry against cuts to public services grows stronger. That, and the possibility of a hefty Brexit divorce bill, means The chancellor has a big funding hole to fill. It seems likely he'll have to raise more tax to do that.

Rumours abound that he might restrict the tax relief on pension contributions and investments in the Enterprise Investment and Seed Enterprise Investment Schemes (EIS and SEIS). Critics say these schemes designed to encourage investments in smaller companies only benefit the wealthy. It is suggested that relief in all three could be restricted to 20%. There's more on EIS and SEIS on page 2.

It's a small world after all
What does the recent trade dispute involving Bombardier herald for hopes of free trade deals post-Brexit, I wonder? A 220% import tariff was proposed by the US after claims that the aircraft and trainmaker, which employs thousands of people in Belfast, had received unfair state subsidies to help beat rival Boeing to a major contract.

It was only July when Donald Trump promised a post-Brexit free trade deal with Britain "very, very quickly", but at the same time he tells domestic audiences that any deals should favour the US and US jobs. We need politicians to stop jockeying for position and instead get on with the job in hand for everyone's benefit.

Moving on up
As this *Shipshape* goes to press, we are on the cusp of relocating our expanding Godalming office to larger premises next door but one, and we look forward to welcoming you there. We will of course be notifying Companies House about the change for those clients who use our address as their registered office. While privacy and discretion have always been part of how we operate, the new offices have been designed to enhance our data security, so that we can easily comply with the new General Data Protection Regulations (GDPR) that will apply from May 2018. There's more on these regulations on page 5. What action will be required in your business?

Somebody's watching me
HMRC's new super computer 'Connect' is a part of the big data phenomenon, which makes use of the rapidly growing mountains of digital information being collected about us and the world we live in. We discuss Connect in more detail on page 3 but, essentially, it gathers information about your income and lifestyle from multiple sources. Any discrepancy between this data and what's included on your tax return could trigger an enquiry from HMRC.

Another example of the use of big data is mini cab firm Uber's so-called surge pricing. This is where Uber raises its fares when the digital data it collects in real time shows high demand for vehicles. Prices can be triple the standard amount to entice more drivers to work and to manage the demand from passengers. Uber's future in London will be a story to follow after its run-in with Transport for London.

You won't be surprised to hear that retailers use weather information to make decisions about stocking shelves with BBQ food, but you might not know that some stores can now use the wi-fi connectivity on your smartphone to see if you're a repeat visitor, find out which departments you visit and get access to your digital retail history.

Perhaps it's time for us all to become more aware of the personal information we're giving away about ourselves.

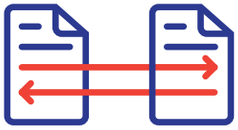
Paranoid Android
Are our jobs all going to be replaced by artificial intelligence? There's concern from some in the accountancy and legal professions that it will be possible for many tasks to be performed by AI technology in the future. According to a report from PwC, up to 30% of UK jobs are at risk of being taken over by robots and AI by the early 2030s. How might this affect your businesses or your customers?

Automation might cut some costs and enable us to pass on savings to clients, but I'd argue that you can't beat the personal knowhow of a trained human specialist for bespoke advice. It seems to me that trying to deny the potential of computers isn't the way to go. I'd suggest we try to understand AI better and use it to complement our services rather than do away with the human touch.

Enjoy the read.

on bonus paid by profit share in an LLP

tax returns filed online


100+ countries to share tax information

The introduction of Making Tax Digital (MTD) has been postponed until at least 2019 for VAT and 2020 for other taxes.

What's the big deal?
MTD will mean four quarterly tax returns every year instead of the one that's currently required and a final 'declaration' at the end of the year. But the changes involve much more than just increased frequency of tax returns: business accounts must be kept digitally and the software must file the returns directly to HMRC (even if a spreadsheet is used, although this is under review).

So, MTD will be a major change to the way tax returns are filed. Although VAT is currently the most digitised of taxes, only 12% of VAT returns are filed by accounting software.

It's important to start preparing for the journey to MTD, even though there is still some confusion about some of the detail. For most businesses this will mean making sure that your accounting software will be able to cope with the direct filing requirements – so it might be time to change your software and get the benefits of a cloud accounting package that has this capability.

For information about how you can get your business ready for MTD, please speak to your usual contact or read the article on page 4 in the Summer 2017 edition of *Shipshape*.

Latest Making Tax Digital anticipated timetable

2019
All VAT-registered businesses must use MTD for VAT

2020
Non-VAT-registered unincorporated businesses and landlords must use MTD for income tax

2021
Companies must use MTD for corporation tax and all other businesses must use MTD for income tax

Businesses with a turnover of less than £10,000 are currently excluded.

The Seed Enterprise Investment Scheme (SEIS) offers generous tax benefits to investors in early stage businesses.

Investing in start-ups

How does the SEIS scheme work?
If you subscribe for shares in a qualifying early stage business under the SEIS scheme and keep them for three years you can get income tax relief of 50% of the investment and won't pay capital gains tax (CGT) when you sell the shares.

If you make a capital gain on something else and 'reinvest' the proceeds in SEIS shares, up to half of the reinvestment can be deducted from the gain. The effect is that a £1,000 investment could get £500 income tax relief and also £140 CGT relief (28% of 50% of £1,000). This means the net after-tax cost of the investment could be just £360.

The Enterprise Investment Scheme (EIS) is a similar scheme for larger companies. Once held for two years, shares in most SEIS and EIS companies are exempt from inheritance tax as they qualify for Business Property Relief.

For higher rate taxpayers these schemes can offer a very generous set of tax reliefs. Unsurprisingly, there are a number of rules around the investor, the type and timing of the investment and how it's disposed of.

Don't put all your eggs in one basket
Investing in start-ups under SEIS and EIS can be risky as some businesses will inevitably fail and you may not get your money back. So if an investment does go wrong, what further reliefs are available?

Although you don't pay CGT on any gain on the shares, you can claim CGT relief if you sell them at a loss. This is calculated on the cost of the shares less the income tax relief. So, for a £1,000 subscription for shares eventually sold for £200 there is a CGT loss of £1,000 less £500 income tax relief and £200 sale proceeds. The loss is therefore £300 to be set against other gains, saving tax of up to £84 on, say, the sale of a holiday home.

However, for subscriptions for shares in an unlisted trading company, it's often possible to claim the loss against income instead. At the higher income tax rate the £300 loss could be worth £135 of tax saved. But if the investment was a complete loss, this would be £225. So, with maximum relief from income tax on investment, maximum CGT relief for reinvestment of a gain and maximum income tax relief for the loss on disposal of the shares, the net after-tax cost of the £1,000 investment would be just £135 (with reliefs totalling 86.5%).

For further information, please speak to your usual contact.

The most expensive computer ever?

HMRC's new super computer 'Connect' – dubbed the 'snooper computer' by the media – gathers information about your income and lifestyle from a wide range of sources. Any discrepancy between this and what's included on your tax return could trigger an enquiry or compliance check.

The difference between the tax revenues that HMRC expects to come in and what it actually collects is known as the 'tax gap'. Tax evasion and avoidance by businesses and individuals contribute to the tax gap, along with error, failure to take reasonable care, non-payment, legal interpretation, the hidden economy and criminal attacks on the tax system.

HMRC's number one objective is to maximise tax revenues and bear down on avoidance and evasion. As more and more people submit information digitally – 9.6 million 'customers' filed their 2016/17 self-assessment returns online before the 31 January deadline – HMRC is able to focus a greater proportion of its staff and resources on closing the tax gap. In the summer 2015 Budget, the Government announced £800m for HMRC to spend on checking up. Over recent years it has invested almost £100m in the Connect system.

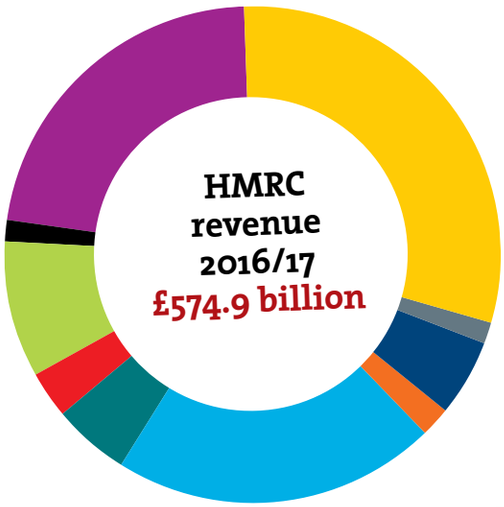
The big picture

Connect gathers information from a range of government and corporate sources to create a profile of your total income and lifestyle. If this differs from what's included on your tax return, an enquiry or compliance check may be triggered. So it's more important than ever to file accurate tax returns. Understandably, details of exactly how it works are not available but the information sources it draws from are believed to include:

- Bank accounts – in the UK and more than 60 other countries
- Employers payroll records – salary, benefits, share options etc
- Local government (e.g. properties rented for social tenants)
- DVLA – vehicles purchased and owned
- The Land Registry – properties purchased and sold
- Websites such as AirBnB and peer-to-peer lending sites and your browsing history
- Visa and Mastercard transactions
- eBay
- Social media websites – e.g. Facebook, Twitter and Instagram
- Gas safe registration

There's no doubt that enforcement efforts are proving a worthwhile investment, as the tax clampdown last year brought a record £28.9bn to government coffers!

HMRC also had quite a good year in court – of the tax avoidance cases in 2016/17 the scoresheet reads: HMRC won 22, drawn 1, lost 3. Most of the cases won by HMRC in 2016/17 related to events that took place up to ten years earlier, but it does highlight the need to be realistic in deciding whether to go all the way to court.



30% Income Tax
22% VAT
21% NICs
9% Corporation tax
5% Hydrocarbon oils
2% Alcohol
5% Others (IHT, IPT, APD, etc)
3% Stamp taxes
1.5% CGT
1.5% Tobacco

Shipleys' fee protection service

No-one welcomes close scrutiny from the tax office, which can be costly and time-consuming. By signing up to Shipleys' fee protection service, we will deal with any HMRC compliance checks on your behalf in return for a fixed annual fee, rather than by charging for the time spent on an enquiry. To encourage more of our clients to join we have cut the cost this year and extended the scope of what's included.

For some clients the reduction is significant – for a private individual the annual cost is now only about equivalent to half an hour of a tax manager's time. We've done this to spread the compliance check risk across a larger number of participants.

Please speak to your usual Shipleys contact if you would like more details.

LLP or Ltd – which is best for you?

Choosing the right structure for your business

There are a number of factors to consider when thinking about how to structure your business to limit your liability. Here's our quick guide comparing limited liability partnerships (LLP) with limited companies (Ltd).

Both LLPs and limited companies are legal entities in their own right, capable of entering into contracts and holding the title to assets.

Companies House filing is required within nine months of period end for LLPs and private companies, and six months for a plc.

Accounts will require an audit unless it is a small or dormant company or LLP. In general no exemption from audit is available for an FSA regulated entity.

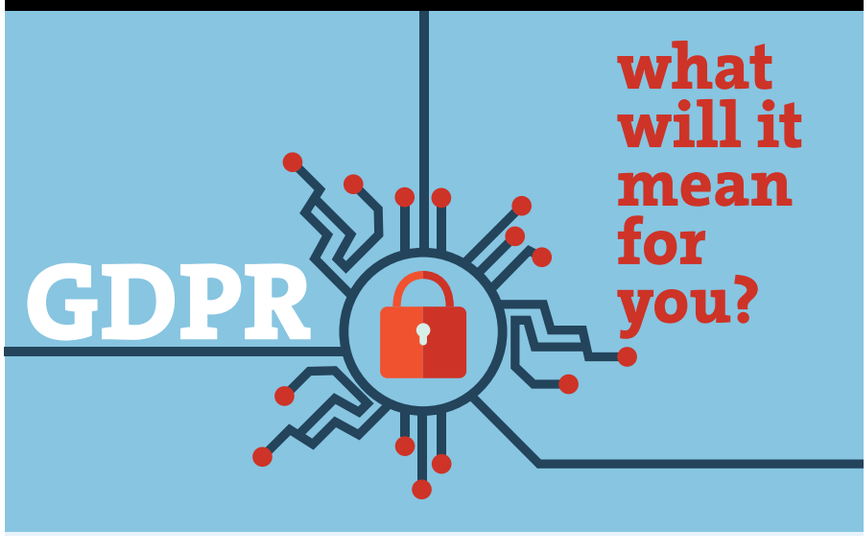
Abbreviated accounts can be prepared and filed at Companies House provided the LLP or limited company meets the relevant requirements.

LLP	Ltd
Potential liability of owners	
Each member's liability is restricted to their formal capital and certain unallocated profits on winding up, except that they have a joint and several liability for stamp duty land tax.	Shareholders' liability is restricted to any outstanding calls on share capital on winding up.
Risk protection	
Members have protection under tort and contract law. A member might still be liable for his own negligence, e.g. health and safety regulations.	Shareholders have protection under tort and contract law. A director might still be liable for his own negligence.
Registration	
Governed by a members' agreement, which is a private document and will not be filed at Companies House. Partners in the LLP are called members. At least two must be designated members who have additional legal and other duties. All members must be registered at Companies House.	Governed by The Memorandum and Articles of Association, which must be filed at Companies House. All directors must be registered at Companies House.
Minimum capital	
None. Members can fund the business with debentures or unsecured loans ranking equally with other unsecured creditors.	Can be as little as one penny issued and paid up for a private company. Plcs must have at least £50,000 share capital with at least 25% paid up.
Employment rights	
Members' only rights are those given in a members' agreement.	Directors are generally employees, protected by employment law.

LLP	Ltd
Incentives and rewards	
Promotion to membership for high flyers. Bonus paid via profit share is taxed at up to 47%. Members retain control via members' agreement.	Bonuses subject to income tax and NIC at up to 47% also attract employers' NIC at 13.8%. Share option schemes can be complex and costly to administer.
Retirement issues	
Members can decide to ascribe no value to the LLP's goodwill, so a retiring member takes only his capital, loan and current account balances. Avoids costly valuation exercises whenever members leave.	Retirement bonuses to retiring directors may be costly in tax terms. There must be a formal share valuation agreed with HMRC if a director sells his shares on retiring (or at any time).
Sale of the business	
Buyers prefer to buy business assets because of reduced due diligence and less reliance on sellers' warranties and indemnities. Normally relatively low transaction costs.	Shareholders prefer to sell a company to avoid double-tiered tax (see below regarding tax on sale). Greater due diligence, warranties and indemnities risk for sellers. Normally relatively high transaction costs.
Tax on profits	
The LLP is transparent. Members are taxed on profits earned (rather than drawn), save that anti-avoidance legislation can result in certain members on fixed shares being treated as deemed employees.	Corporation tax at 19%. Salaries etc are a cost in calculating taxable profits.

LLP	Ltd
Tax on owners' incomes	
Self-employed top rate is normally 47% including NIC. Except if the member is a deemed employee, tax liabilities are personal; if a member defaults there is no come back on the LLP or the other members.	Employees' top rate is 47% including NIC. But company suffers 13.8% employer's NIC on all remuneration. Dividends escape all NICs but are taxed at up to 38.1%. Must pay over PAYE and NIC.
Tax on sale	
Members can sell business assets and are taxed personally on gain at 10% or 20%, subject to possible entrepreneurs' relief. The LLP will not be liable for any tax.	Gains from selling share capital are taxed at 10% or 20%, subject to possible entrepreneurs' relief. Sale of business assets by the company results in tax of 19% of the gain for the company, but with the acquisition cost adjusted for inflation. There is further tax on extraction of the net gain from the company.
Inheritance tax	
Business property relief at 50% or 100% may apply to an interest in an LLP's assets.	Business property relief at 50% or 100% may apply to shares in a limited company.
FCA considerations	
Regulatory capital rules probably mean an FCA member LLP must have some formal capital, use of subordinated loans from members, but Tier 2:Tier 1 ratio restriction and all earnings of members are excluded from annual expenditure calculation.	Paid up capital will be dictated by FCA capital requirements and only discretionary bonuses are excluded from annual expenditure calculation.

Mind your own business



The General Data Protection Regulation (GDPR) comes into full effect on 25 May 2018 and will affect every type of business.

Whether this is the first time you've heard of GDPR or it's already on your radar, it's important to understand how it will affect your business, and what steps you must take to ensure you're ready in time. The new rules will cover every business, from sole traders to large multinationals, including not-for-profit organisations.

GDPR is essentially a beefed-up version of the Data Protection Act, but it also encompasses some new areas. To comply with the rules you will need to consider what personal data you hold and why, how long you keep it for and whether it's stored securely.

What data do you hold?
Firstly, carry out a 'data audit' to understand all the information you hold that is covered by GDPR and where it is. This will include your internal records and your client or customer records, both electronic and physical. The rules cover anything 'personally identifiable', meaning anything which can be linked to an identified or identifiable person. Identifiable means things that can be used to identify someone like an IP address or phone number. Often, data will be on a form that contains some personally identifiable information and it's not practical to split it out.

Why are you holding the data?
You then need to establish whether you should legally be collecting and holding the data in the first place. Customers have new rights to know what you hold and to request that it's deleted.

How long should you hold data for?
There is often a legal obligation to hold data, but after this period you need to think about whether you have a valid business case for retaining it. This may mean securely destroying physical records or deleting electronic files.

Where are you storing the data?
To protect physical data you must ensure that your building is secure, and that data is not maliciously copied. So you may need a clear desk policy or secure storage areas to ensure contractors or visitors can't see or photograph information. If you keep data in an off-site location, check whether the third party is also protecting it under the GDPR. In case you lose a laptop or mobile phone you should make sure it's encrypted or can be wiped remotely.

Normal emails are not secure so you may need to consider encryption. The onus is on the sender of the data, but you may also want to give your clients the ability to send you things securely.

Stand out against the competition
The silver lining is that while GDPR may be burdensome, it may allow you to showcase to your customers how securely you look after their information – and this could be an opportunity to stand out.

Tax-Free Childcare

Under the new Tax-Free Childcare scheme parents can get up to £500 every three months (£2,000 a year) for each of their children to help with the costs of childcare. You will need to set up an online childcare account and for every £8 you pay in, the Government will pay £2. If you have a disabled child you can get up to £1,000 every three months.

To qualify, both parents must be working and each earning at least £120 a week (on average) and neither earning more than £100,000 a year.

Parents can't use Tax-Free Childcare at the same time as they receive childcare vouchers, Universal Credit or tax credits. But they can use Tax-Free Childcare alongside the 15 and 30 hours free childcare schemes for three and four-year-olds in England, or any free childcare hours provided in Scotland, Wales or Northern Ireland.

The system for registering with HMRC to open a childcare account descended into chaos ahead of the deadline for registering at the end of August, with the helpline overwhelmed by requests for support as HMRC's system wasn't working very well. HMRC has said it will look to compensate certain applicants who were affected.

For further details on the scheme and how to apply, visit: *https://www.gov.uk/help-with-childcare-costs/tax-free-childcare*

Finance (No.2) Bill 2017

A further Finance Bill, which was published in September, repeats proposals contained in the March Finance Bill, which was much truncated because of the General Election. As outlined below, the new Bill now reflects the changes to the taxation of non-doms effective from 6 April 2017.

Other matters affecting the current tax year are included, such as non-corporate property income charged on the cash basis, the £1,000 trading and property allowances, tax-exempt pensions advice and part surrenders of life policies. The Bill also refers to changes affecting companies' losses and deductible interest.

All change for non-doms

Changes to the taxation of non-doms will be effective from 6 April 2017 and will be essentially those set out previously in *Shipshape*. For more detail see: *http://www.shipleys.com/resources/issue/non-resident-trusts*

Offshore trusts

The proposed changes affecting distributions from offshore trusts have been revived, but in a modified form. The new Finance Act will reflect these changes, which affect those deriving benefits from non-resident trusts, and are to be effective from 6 April 2018.

The original proposal referred to 'onward gifts' by non-resident beneficiaries who received benefits from offshore trusts, if made within three years of the original distribution or at any time, if pre-destined. Now, it is only to refer to such onward gifts if there is an initial intention to make the onward gift when the donee would be UK resident – but there is to be no time limit.

Inheritance tax for non-doms

As well as the changes affecting non-doms involved with offshore trusts, the following also affects non-resident non-doms:

- Interests in close offshore companies and partnerships will be subject to inheritance tax (IHT) to the extent their value can be attributed to UK residential property (disregarding a less than 5% interest in such companies or partnerships).
- Loans made to individuals, trustees and partnerships to finance the acquisition of such interests or UK residential property directly or indirectly, and money or money's worth made available as security, collateral or guarantee for such loans will be subject to IHT.
- Furthermore, when such interests in companies or partnerships are disposed of, or such loans are repaid, the proceeds will continue to be subject to IHT for two years.

Get your overseas tax affairs up to date

Act now to take advantage of HMRC's Worldwide Disclosure Facility (WDF)

Recent initiatives to improve global tax compliance such as the Common Reporting Standard and the US Foreign Account Tax Compliance Act (FATCA) mean the world is getting smaller with regards to tax information being shared with tax authorities worldwide.

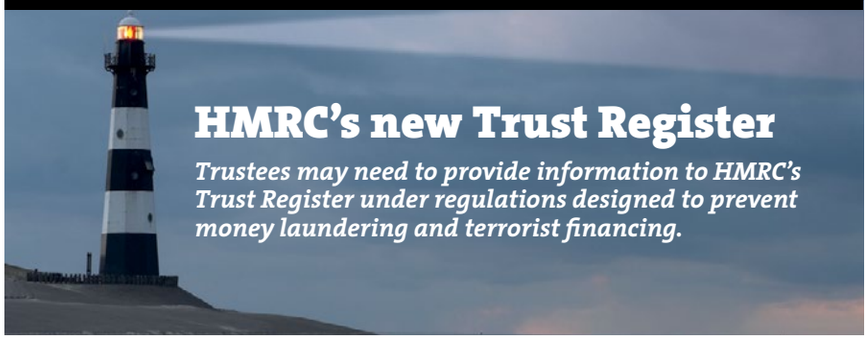
The Common Reporting Standard (CRS), developed by the Organisation for Economic Cooperation and Development (OECD), is a global initiative on automatic exchange of information to combat tax evasion. Once it's fully implemented, just over 100 countries will automatically share information on the income and assets held by overseas residents. For example, if a French resident happens to have a UK bank account, the bank is obliged to report that information to HMRC, which will in turn report it to the French fiscal authorities.

Voluntary disclosure window

Some information sharing under CRS is already underway, but a window of opportunity is currently open to encourage UK residents to become fully compliant with their UK tax affairs. From 1 September 2018, there will be more swingeing penalties for people who declare (even voluntarily) any previously unreported income or gains on which tax in the UK would have been due. After this date the minimum penalty will be 100% of the tax due with no discount, even for voluntary declarations.

If you have anything to report, a voluntary disclosure should be registered with HMRC's Worldwide Disclosure Facility (WDF) as soon as possible and certainly before 1 September 2018. If you make a voluntary disclosure now and pay the tax owing including interest, the maximum penalty may be significantly mitigated, and in many cases will be well below 100%.

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



HMRC's new Trust Register

Trustees may need to provide information to HMRC's Trust Register under regulations designed to prevent money laundering and terrorist financing.

Action required

Trustees of all 'taxable relevant trusts' will have to provide:

- **a 'statement of accounts' for the trust, describing the trust assets (including the address of any property), and**
- **information about the identity of settlor(s), trustees and beneficiaries.**

HMRC says that in some circumstances trustees will need to register by 5 December, but in the majority of instances the deadline is likely to be 31 January 2018. There are also obligations to keep this information up to date.

Affected trusts

A 'taxable relevant trust' is one in which in any year trustees are liable to pay income tax, capital gains tax, inheritance tax, stamp duty land tax, the Scottish land and buildings transaction tax or stamp duty reserve tax in relation to the trust's income or assets.

It isn't clear when the status of a trust is determined, except that it is on or after 26 June 2017, when the regulations first applied. HMRC seems to believe that 'liable to pay' means when the relevant liability accrues, for example the tax year in which taxable income arises, but it might be when the income tax is payable.

Information on beneficiaries

HMRC seems to require details of all named discretionary beneficiaries and any others who actually receive benefits. The regulations say that information on individual discretionary beneficiaries is not required if the class is still open, as for example in the case of a discretionary trust where the beneficiaries are defined as the issue of the settlor, and any spouse of any of the issue, born before the end of the trust period. Otherwise, the trustees would have to advise a change to the register for every birth, death, marriage and divorce of a member of the class of beneficiaries.

However, the regulations do permit HMRC to require trustees to provide information about what is in a letter of wishes. A similar problem would apply to most flat management companies, where lessees' service charges and contributions to a sinking fund are held in trust.

Further information required

The regulations require advice of the value of trust assets as at the date of the current statement of account. HMRC, however, asks for the value of trust property when settled. Where the trust assets include shares, etc. of companies, HMRC is also asking for the companies' UTRs, which the regulations do not mention.

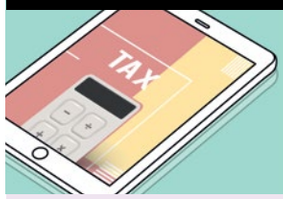
Estates Register?

HMRC initially said it was introducing a separate Estates Register, saying that details of 'complex estates' should be given by 5 October of the tax year after the estate is 'set up'. The details sought are the name of the deceased, those of the personal representatives, 'the tax years the estate needs to declare liability to income tax or capital gains tax for' and 'period end date if the administration period has ended'. Now it proposes including estates in the 'Trust Register', to be known as the Trust Registration Service – the TRS.

Trustees' record-keeping obligations

The regulations require trustees of all 'relevant trusts' to maintain the information that has to be filed with HMRC by taxable relevant trusts. A 'relevant trust' is a UK express trust, or non-UK trust that receives income from a UK source or has assets in the UK, including a bare trust.

VAT corner %



VAT and Making Tax Digital

As outlined on page 2, HMRC's Making Tax Digital (MTD) proposals have been partly deferred but it has been confirmed that it will go ahead for VAT with effect from April 2019.

What we know so far

Although the finer details have yet to be announced, we can confirm some of the key components:

1. Only VAT-registered businesses with turnover in excess of the VAT registration threshold (currently £85,000) will need to comply with MTD. Businesses that are VAT-registered but have turnover below the registration threshold will be able to volunteer for MTD.
2. Use of digital record-keeping will be compulsory, which means that manual record-keeping or the use of spreadsheet records will no longer be acceptable unless they are used to feed into a digital record-keeping system.
3. Digital record-keeping packages must be capable of uploading VAT return information to HMRC's website. The current system that allows manual keying of the VAT return figures will be phased out.
4. Regardless of Brexit the information to be provided will be the standard 9 box VAT return as currently configured.
5. Businesses will, in addition to the standard 9 box figures, be able to 'volunteer' to provide more detailed information. We don't know what this detailed information will consist of but early indications are that it could be as detailed as line by line analysis. However, HMRC has said that a business that volunteers the extra information will be less likely to be inspected.

Before the General Election it was announced that charities would be exempt from MTD, but there has been no confirmation since the revised timetable was revealed.

VAT bad debt relief

The VAT bad debt relief rules rarely feature in a VAT Tribunal but a recent case provides a timely reminder of one key element.

Those who are familiar with the rules will know that the debt must have been outstanding for at least six months before a VAT refund claim can be made and any claim for a refund will be subject to the normal four-year cap.

People often forget that the debt must also be written off in the accounts. The case referred to above confirmed a 'specific' bad debt provision is required rather than a 'general' provision.

Funding big-budget drama

Media investment and distribution company Great Point Media has been behind some of the biggest dramas to hit our screens over the past few years, including The Last Post, an eight-part 1960s-set drama currently airing on BBC1 on Sunday nights.* Shipshape *chats to commercial director Fergus Haycock to find out more.

Founded in 2013 by award-winning producers Robert Halmi and Jim Reeve, Great Point Media specialises in the development, investment and exploitation of entertainment media rights.

"The majority of the founding team spun out of Ingenious Media, having spotted an opportunity in the buoyant market for high quality drama production, particularly with new market players such as Netflix, Amazon and Hulu," explains commercial director Fergus Haycock, who looks after a portfolio of development and production companies. "This was coupled with an opportunity for investors to participate in the nascent Seed Enterprise Investment Scheme and invest in early-stage development of intellectual property."

"We cover the entire spectrum of production activity from development of new ideas, through to full production, and are becoming more involved in the international distribution of completed productions. We look to work with exciting production talent, and for projects with international appeal."

From start-up to scale-up

Despite having a strong track record in the industry, Fergus explains that raising the first funds took time and persistence. "But once we had established our first few funds and proved the concept and business model, we've been fortunate enough to increase our fund raising year-on-year."

Based in Covent Garden the company had to scale up its team quickly to deal with the demand, and now has 22 employees, plus small teams in New York and Spain.

"We've worked with some great producers on exciting hit content, including the last two seasons of Line of Duty, and breakout features like Lady Macbeth, part of a programme in which we support new filmmakers. The film was produced on a small budget and was picked up for a wide release in all markets. We've also invested in a new band called Nathaniel Rateliff & The Night Sweats. The first album was a hit and we're releasing the second album later this year."

Future focus

"The production business is becoming increasingly competitive and the bar is being set ever higher and more expensive, with every episode of a TV drama now expected to look like a Hollywood feature," says Fergus. "We're constantly looking to find new ways and partners to put value on the screen and stand out in the marketplace. But our main focus is to continue to provide a great service to both our investor clients and our creative partners."

Support from Shipleys

"Shipleys has supported us from the outset, particularly in advising on structure and accounting for film and TV projects that attract production tax credits in the UK," says Fergus. "These credits are a vital way of putting more value on screen and bringing the best possible talent to UK shores. Steve Joberns is widely considered the 'go-to' adviser for production tax credits in the UK and we're lucky to be able to tap into his wealth of experience."

"We've grown quite quickly and during this time Tim Hardy and his team have been really helpful looking after the various reporting requirements and providing advice on a range of queries."

www.greatpointmedia.com

GREAT POINT MEDIA

"Steve Joberns is widely considered the 'go-to' adviser for production tax credits in the UK and we're lucky to be able to tap into his wealth of experience."

Fergus Haycock, commercial director of Great Point Media

Shipleys news

Godalming office

The Godalming office has experienced real growth in the last few years and the 40-strong team are on the move. We are in the process of signing a new lease for a much larger office within the Goldalming Business Park. We'll update our website and social media once we have more information.

Oakleaf cycle ride

Congratulations to Alice Ancrum, Lizzi Gear, Steve Hume and former Shipleys' principal Steve Ryman who all successfully completed the Prudential RideLondon – Surrey 100 mile bike ride in July.

They raised more than £3,100 for Oakleaf – a charity dedicated to helping those suffering with mental health issues get back into employment and/or the community. The charity has strong links to our office in Godalming.

Staff and alumni golf day

Many thanks to everyone who joined us at Hoebridge for our golf day in August. The balmy weather seemed to suit quite a few players but current staff member Richard Stredwick was declared overall winner with 42 stableford points. Normally we'd be calling for a cut in his handicap, but he played off his official club handicap of seven, and incredibly went round in just one shot over par. Well done Richard! Special thanks to Charlotte Westwood at our Godalming office who organised the day. Alumni interested in joining us next year should get in touch with Dean Hardy or Stuart Dey at Shipleys.

Macmillan coffee morning

Our offices in Godalming and London both took part in Macmillan's 'World's Biggest Coffee Morning' this autumn, raising £239.

News from Australia

Auditors Hebe Travis and Joanne MacCourt are enjoying a three-month secondment to Hall Chadwick in Sydney. Shipleys and Hall Chadwick have been running a staff exchange scheme for many years.

It's an exciting opportunity for people to experience working in a different culture and environment, and to have the chance to do some travelling at the end of the secondment.

You can read Joanne and Hebe's blog here: *http://graduate.shipleys.com/*

AGN member focus

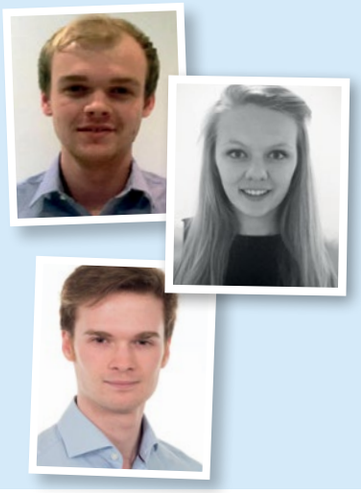
Caderas Martin, France

Caderas Martin was established in 1978 in Paris. It prides itself on its strong partner led approach and believes that a combination of this and its ability to look at problems from all angles to find the right solution for clients has helped it develop steadily through internal growth.

The firm now has almost 100 members of staff providing chartered accountancy, consultancy and audit services to a broad range of clients, in France and overseas. Caderas Martin has a strong history of working internationally and values the relationship it has with AGN.

Celebrating exam success

Congratulations to Ed Rosen, Hebe Travis and Luke Barron who have passed their exams and are now qualified ACAs.



Alumni news

shipleys LLP Alumni

Creating state-of-the-art cars

Phil Clamp joined Shipleys in September 2005 as an audit trainee, completed his training and left in May 2010 as an audit supervisor. He then spent five years at Capita Plc as a finance manager and financial controller. Phil moved out of London and after doing three-hour commutes for a year, decided to find a job closer to home.

"I now work for Jaguar Land Rover as finance manager in its Special Vehicle Operations department. We take the core products and turn them into specialised vehicles focusing on performance, luxury and capability. I review business cases for new products and manage the finances of the development programmes as well as the manufacturing site that builds these vehicles."

"Shipleys helped me gain the technical accounting skills I need for my role, as well as the ability to discuss and present financial information to non-finance professionals. My secondment to the corporate finance department helped with my current work in investment appraisal and reporting."

"I met my wife at Shipleys (Ria Bentley) and we live in Oxfordshire with our one-year-old daughter, Ava, and dog, Gatsby. We got married in June this year and my best man was Rob Wood – who I also met at Shipleys!"

If you want to reconnect with former Shipleys colleagues, join the LinkedIn group 'Shipleys alumni'.

Where there's a will there's a way

The instructions in a will don't always have to be carried out to the letter.

The term 'last will and testament' is familiar to most of us, but the way an estate is distributed doesn't always have to be exactly as the will sets out.

For example, someone can make a claim for support under the inheritance laws of England & Wales (or their equivalent elsewhere), because they believe they should have been favoured in a will. Executors have to consider the validity of any such claim, sometimes assisted by the court.

A more common situation is where a beneficiary named in a will decides to disclaim a legacy or agree to a deed of variation (DOV). For example, someone named as a beneficiary in the will of one of their parents might prefer to skip a generation and divert the legacy to his or her own children. This can have useful tax effects, as it avoids the risk of inheritance tax on their own death.

Charitably-minded grandchildren might use a DOV to give added tax benefit by cutting the marginal tax rate on an estate from 40% to 36%.

How it works

A bachelor leaves an estate of £2m. He had made lifetime chargeable transfers in the seven years before his death of £325,000. He leaves £80,000 in his will to charity and the rest to his favourite nephew.

Inheritance tax at 40% is payable on £1.92m, which is £768,000. This leaves £1.152m for the nephew.

If the nephew executes a DOV to give an additional £120,000 to charity, meaning that charitable bequests are up to 10% of the estate, the tax rate on the other 90% falls to 36%.

The amount available to the nephew after tax would be 64% of £1.8m, or £1.152m – exactly as before. But the charity would get an extra £120,000 at no cost to the nephew.

So bear in mind that the beneficiaries of your will can take action after your death, and if this is within two years, the tax implications can be the same as if the DOV was part of your original will.

Granting discretion

Alternatively, executors or trustees can be given discretion as to the manner and timing of the distribution of all or part of an estate, either on the death of the person making the will or perhaps that of a surviving spouse. Here too, there may be scope for tax-effective action within two years of the death (with trustees exercising their discretion). Whenever trustees are given discretion, a letter of wishes is a good idea.

Letter of wishes

Letters of wishes received some media attention recently in relation to the estate of the late Bruce Forsyth – an example of legitimate tax planning being sensationalised by the press.

A letter of wishes is not binding, but gives trustees an indication of how they should act in the circumstances prevailing at the time. It is most relevant in the case of a will trust.

The letter of wishes may be changed as often as the settlor likes, without the formality required for a will or codicil. This means it can be updated to reflect changing financial or family circumstances, even if the will was made many years earlier

This expression of wishes need not be in a formal letter as such; it could be in a video, audio clip or even be spoken (with notes taken at the time).

Lasting powers of attorney in the news

In the Summer 2017 edition of *Shipshape* we said it was a good idea to have lasting powers of attorney (LPAs) in place to ease the burden on loved ones, should you ever lose the mental capacity to make decisions for yourself. This is still our view, despite widely reported comments by a former judge, who said he'd seen cases of attorneys defrauding the grantor. The judge recommended that, as an alternative, an interested party might apply to the Court of Protection to become the relevant person's 'deputy'. There are two types of deputy – a property and financial affairs deputy and a personal welfare deputy. Both are, in our view, expensive and cumbersome.

Please speak to your usual contact if you would like help in making or updating your will.

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