Relationshps in a post-GDPR world
Making sense of new data laws

SME UK Business. Ambitious, forward-thinking and solvent. Trying to adjust to a post-GDPR world of Brexit gloom and confusion. WLT new clients for warm, fulfilling long-term relationships. Also enjoys cozy evenings in and foot rubs.

Also in this issue:
- Tighter rules on offshore assets
- Avoiding common HR pitfalls
- Networking tips
- VAT backlogs

Shipleys’ new principal
Money matters: good financial housekeeping
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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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More detailed information on tax changes is available on our website at www.shipleys.com

Shipshape articles are intended to create awareness of issues and specific advice should be obtained before taking action, or refraining from taking action in relation to the topics covered.

Designed and co-edited by Thirdperson.co.uk
After the love has gone...

In the unseemly rush to the 25 May GDPR deadline it was very easy to get caught up in all the ‘love’ being shown by all those companies still wanting to be able to bombard you with messages post the cut-off date (and if you’re reading this we hope you ticked all the right boxes to allow us to stay in contact with you!).

Now that the frenzy has calmed down, I can’t help but wonder whether we’ve all got the balance right on GDPR. The idea behind it is great, but are the obligations too onerous and complicated for business owners? Has the response to the legislation been reasonable and proportionate? How many smaller businesses are seeking opt-ins unnecessarily? Conversely, how many larger companies are still contacting people unnecessarily on the basis that they were customers a long time ago? The regulator has been very deliberate in saying that it is there to help businesses and will only be seeking to punish persistent offenders rather than those trying to comply.

However, it’s still a good idea to take stock and double check you’ve adequately covered all the bases because it’s not too late to make changes to comply if you’ve missed something.

You’ll find a useful GDPR checklist on page 5 of this issue of Shipshape that looks at all the major areas affected, from running a data audit through to the right of individuals to ask an organisation what data it holds on them.

To meet our GDPR obligations to you as readers and clients we’ve already contacted you to confirm if you wish to continue receiving Shipshape. If you haven’t responded yet, you can opt in by visiting www.shipleys.com or emailing us at wallacem@shipleys.com.

Talk Talk

GDPR will undoubtedly make it more challenging to contact certain people you want to interact with, so it’s more important than ever to build and maintain relationships with the people who are important to you. So it may be back to the good old methods of drumming up work. Meeting people and having real conversations through networking is great for that. Not everyone finds it easy, however, so on page 3, you’ll find the first in our series of features on networking, offering some practical tips and advice to help make it work for you. It might be easier than you think.

Taking care of business

It’s also important to maintain healthy dialogue and relationships with staff. At Shipleys, we try to make sure our staff have a good place to work and know that they’re part of the firm’s future. We run development programmes covering soft skills as well as the professional skills they need to develop their careers. We try to tailor this to each individual, but you can only do this with a strong HR team.

Consulting a professional HR resource (whether an internal or external one) can prove invaluable when dealing with the people you work with. Failing to engage employees in key business decisions can be potentially detrimental. On page 4 we offer guidance on six common HR pitfalls and how you can avoid them to help keep your relationships with employees running smoothly.

We are family

While inheritance tax planning is not the lightest Sunday lunch topic and pension planning can put quite a dampener on a romantic evening out, ensuring your finances are in order – and accessible – is something we all need to think about. It’s really important to talk about your plans to the people close to you, and ask them about theirs. On page 10 we identify four cornerstones of good forward planning for you to consider. It’s also important to think about your digital legacy as part of this.

Working for the man

If you think GDPR has been a nightmare, just wait for Making Tax Digital! It’s HMRC’s stated ambition to become “one of the most digitally advanced tax administrations in the world, modernising the tax system to make it more effective, more efficient and easier for customers to comply”.

Leaving aside the use of the word ‘customer’, this has the potential to cause a lot of headaches and the deadline for complying, April 2019, is getting ever closer. Cloud accounting could be the answer, making it a lot easier to keep business records using modern software written for business people – not accountants. It could help you adapt to the new way of doing things. It’s an exciting area in which we have the expertise to help. To find out more, visit http://bit.ly/2lZ5aJW or get in touch with your usual contact at Shipleys.

Let us know what you think

Finally, we’d love to hear what you have to say about Shipshape, so we’ve included a reader survey in this issue to help us make sure it continues to be a relevant and interesting read. If you’d prefer to complete the survey online, please visit: https://www.surveymonkey.co.uk/r/XNDq6yD or click on the QR code below. Your input is invaluable and would be greatly appreciated.
Nowhere to hide

Offshore tax net tightens

If you’re earning income from overseas assets such as property or shares and haven’t told the taxman, then it’s important to declare it before HMRC finds out through international information sharing agreements, or else suffer draconian penalties.

Comment and analysis

Common Reporting Standard

The Common Reporting Standard (CRS) is a very innocuous, not to say boring, name for something that represents an important change in international tax.

The CRS came into being in 2014 when all 34 OECD countries, along with 13 others, agreed to share information on assets and incomes with each other. Many more countries have since joined, taking the number up to more than 100.

Information held by one country’s tax authority relating to a resident of another country will be sent automatically to that other country’s tax authority. This is a major change, as previously a request had to be made, but now it will be shared even if there is no suspicion of wrongdoing. The UK is an ‘early-adopter’ of the CRS and has already started receiving information.

This led to the ‘Worldwide Disclosure Facility’, which opened on 5 September 2016. Anyone who wants to disclose a UK tax liability that relates wholly or partly to an offshore issue can use the facility. An offshore issue includes unpaid or omitted tax relating to:

• income arising from a source in a territory outside the UK
• assets situated or held in a territory outside the UK
• activities carried on wholly or mainly in a territory outside the UK
• anything having effect as if it were income, assets or activities of a kind described above
• income (or sale proceeds in the case of a capital gain) that arose in the UK but was either received or transferred abroad before 6 April 2017
• a disposition that gives rise to transfer of value for IHT purposes involving assets that are transferred outside the UK before 6 April 2017.

It also includes funds connected to unpaid or omitted UK tax not included above, that you’ve transferred to a territory outside the UK or are owned in a territory outside the UK.

At the same time substantial penalties were introduced – see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721528/CC-FS17.pdf. After September 2018 new sanctions will apply under the Requirement to Correct regime introduced by the Finance (No.2) Act 2017 to reflect HMRC’s even tougher approach.

Requirement to Correct

This could affect you if you own and let a property overseas, have an offshore bank account or shares in an overseas company. If you have always properly reported and paid tax on your overseas income and gains in full, then you’re unlikely to notice the difference.

But anyone who hasn’t reported their overseas income and gains, or has under-reported them, has until the Requirement to Correct (RTC) deadline of 30 September 2018 to disclose them to HMRC and take advantage of the significant discounts on penalties available for those who tell HMRC before it finds out.

Penalties for failure to correct

If non-compliance is not corrected by 30 September 2018, the following penalties may be imposed.

• An RTC standard penalty of 200% of the tax involved. This can be reduced, but the minimum is 100% of the tax involved, unless HMRC thinks there are special circumstances that justify a further reduction. These do not include a potential loss of revenue from one taxpayer balanced by a potential overpayment by another.
• An asset-based penalty of up to 10% of the value of assets connected to a failure to comply if the tax involved exceeds £25,000 in any tax year.
• An ‘offshore asset moves’ penalty equal to 50% of the RTC standard penalty if assets were moved to avoid having details reported to HMRC under international agreements on exchange of information.

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Full details on how these sanctions will be applied will be published before 30 September 2018.

Reasonable excuse

These penalties will be chargeable if taxpayers fail to correct by 30 September 2018, unless they can demonstrate a ‘reasonable excuse’. If so, there will be no RTC penalty, but the tax will be payable, with interest.

Possible omissions from tax returns

Examples of possible omissions from tax returns include rent from an overseas holiday home, a gain realised on the sale of such an asset and benefits derived from offshore ‘bonds’ (which often take the form of single premium life policies, such as the Holiday Property Bond, which is explained in more detail below). While UK insurers are unlikely to.

Extension of period for assessment of offshore tax

The legislation also gives HMRC more time to ask for offshore tax. For example, they will always have at least until 5 April 2021 to assess something which should have been reported to HMRC before 6 April 2017.
GDPR is here – has your business complied?

As you’re no doubt aware from the spate of emails arriving in your inbox recently, the new General Data Protection Regulation (GDPR) came into effect on 25 May 2018.

GDPR fundamentally affects the way businesses gather, hold and process personal information. The rules apply to every business that holds personal data on EU citizens. The penalties for non-compliance are severe, so if you haven’t already taken the necessary steps it’s vital to act as soon as possible.

GDPR is essentially a beefed-up version of the Data Protection Act. The objective is to keep personal data safe and prevent businesses from misusing it. It boils down to what data you hold, whether you should have it, what you’re doing with it, and whether it’s securely stored. The new rules also enhance the right to be forgotten and the right to correct personal information held by a business.

The other main changes are the requirements to have written policies and procedures and to keep records covering matters such as data breaches and requests for access to the personal data you hold.

Data audit
GDPR is concerned with any data that is ‘personally identifiable’, so anything that can be linked to a ‘natural person’. This includes names, addresses, contact details, IP addresses and bank details.

If you haven’t already, you’ll probably need to undertake a ‘data audit’ to understand what information you hold is covered by GDPR, and where it’s kept. This includes data that your business captures about your clients and the client data you might need to give to third parties. It’s important to remember this isn’t just electronic information, but physical records too.

Purpose
You also need to establish whether you should be collecting and holding the data in the first place. If you’re holding personal data, you need to tell clients what you’re holding, and what you’re going to use it for. This also extends to employees of your business as you’ll probably hold plenty of personal information on them.

How long?
There’s often a legal obligation to hold data for a certain time, but after this period you need to think about whether you have a valid business reason for retaining it. This may mean securely destroying physical records or deleting electronic files. You also need to make sure that the data you hold is secure, so you may need to look into secure emails and encryption, for example.

Third parties
It’s likely that third parties, such as cloud service providers and other contractors, may be holding data that you need to protect.

You’ll need to ensure that they also comply with GDPR.

Marketing
You can only contact people if your marketing is targeted, proportional and relevant. This means being very careful about mailing lists. The days of blanket marketing to everyone are long gone.

Subject access requests
GDPR provides the right for a person to ask a business what information it holds on them and to destroy that information if they request it. There may be legal obligations for you to retain that information, which override this. You will need processes in place to deal with subject access requests as you must respond within 30 days and they can be very time-consuming.

Don’t delay
If your business hasn’t made any preparations for GDPR, you’re unlikely to be alone in that, but it would make sense to look at what data you have, where it is and start making a plan to work towards compliance.

If you want to find out how we look after your data, please read our privacy policy on our website or contact gdpr@shipleys.com with any questions.
Some organisations don’t get the most out of their HR resource, whether it’s an internal HR professional or the support of an HR service like the one Shipleys provides. We look at some common HR mistakes and how to rectify them.

1. Not aligning HR to business objectives

HR should be aligned with your business objectives, rather than be treated as an administrative or compliance function. Your people plan should be led by your business objectives and incorporate all aspects of HR, including recruitment, culture, pay and benefits, policies and procedures – all of which affect the bottom line.

It’s important to involve HR in all key business decisions, not just employment regulations, as any major change can affect employees and any contracts or policies within your organisation. HR can help you with due diligence and support your business and people through change.

2. Disregarding employment legislation

The ‘it won’t happen to me’ mentality often catches businesses out, whether it’s because they think they know their team, or wish to cut corners.

If you don’t use the correct processes and guidance you could put your business at risk of a costly employment tribunal. Seeking advice from an HR professional, either internal or external, may avoid legal action or help you resolve a situation more quickly and easily than you might imagine.

3. Not having the appropriate paperwork

This applies in particular to contracts of employment and policies. If you haven’t specified terms and there is no clear guidance, you could face a dispute with an employee.

Potential disputes might include how much sick pay an employee is entitled to, notice periods, redundancy payments, or what procedures are in place for a disciplinary or grievance process.

Clear procedures enable all parties to know where they stand, and the steps that will be taken in a given situation.

4. Not following your own policies and procedures

If your organisation has policies and procedures in place to protect you as an employer, it’s important to follow them at all times. If you don’t, your business could leave itself open to costly and time-consuming internal procedures, such as grievances or external challenges. This might include legal action being taken for wrongful dismissal – for example, ‘a dismissal in breach of contract’. If you don’t follow the proper procedure from the outset it can be very resource-intensive and expensive if challenged.

Regardless of the legal implications, failing to follow procedures can lead to a lack of trust and demotivation among employees, meaning they may not perform as well or even look for alternative employment.
Involve HR every step of the way

In summary, your HR function should essentially act as an adviser to your business to help you achieve your objectives through your people. It can help you avoid costly tribunals, ensure your people are motivated and engaged, and work with your leadership team on strategy from a people perspective. Engaging with your HR team or advisers and including them on the top table will help you get the very best out of them.

To find out more about Shipleys’ HR service, please visit: http://bit.ly/2uJS56M

Mind your own business

Networking: planning ahead

Effective networking doesn’t come naturally to some people. So in this, the first in a series of articles on how you can make networking for you, we share some ideas on choosing events wisely and preparing for them in advance.

Despite the rise in the importance of a strong digital presence, the old adage that ‘people buy people’ remains true. So, networking events may well play a part in developing your business – whether it’s to find new customers, introducers, suppliers, staff or joint-venture partners. Or you may want to strengthen existing relationships, check out the competition and learn new industry ideas, grow your personal reputation or develop your own skillset.

Choosing events and defining your goals

Be clear about what you want to achieve by attending networking events and assess each opportunity before deciding whether or not to go. Make sure you select the best events for your purposes. Try to get a copy of the guest list in advance to make sure the ‘right’ people will be there.

Work out how much time you should be spending on networking and then make time in your schedule to do it. Don’t try to go to everything that comes up.

Set yourself some goals that will help you spend your time at an event effectively and help you evaluate its success afterwards. An example might be to talk to three new people, or to speak to a promising prospect that you will keep in touch with.

Practice your elevator pitch

We’ve all met people who struggle to explain what they do and play down their role far too much. You’d be surprised how many people apologise for what they do – “I’m afraid I’m in banking” for example – and completely miss the opportunity to attract new work. In this instance it might be much better to say, “I lend money to businesses, especially retailers and restaurants.”

Think about your elevator pitch and practice it. When you meet someone new, think about how will you introduce yourself succinctly so they understand how you help people.

Do your research

Find out more about the people you’d like to speak to. Perhaps check their LinkedIn profile to see if you already have any connections in common, look at their company website and press releases, or search for the business on news sites. Asking for their view on something reported in the press about their business shows you’re informed and interested.

Check the administrative arrangements relating to the venue and the event, so you arrive appropriately dressed and on time, rather than in your jeans halfway through the host’s welcome at a black tie function.

Positive mental attitude

Most importantly, make sure you’re in the right mindset and ready to achieve your event goals. If you’re tired or not in the right frame of mind you’re unlikely to be effective and might even damage your reputation.

Think about ways to start conversations with new people. Perhaps something relating to the venue or the event, such as “Do you think X will win the award again this year?” Or bring up a topic in the wider news such as “Have you seen the announcement about Bill Gates’ charitable foundation?”

Next time, we’ll look in more detail at how to get talking to new people.

pitfalls

Lack of communication

People and their ideas, knowledge and goodwill are often the key ingredients of a successful business. But if you don’t keep your employees informed about successes, new initiatives and change, it can leave them demotivated, fearful of what’s to come, and start the rumour mill turning.

It’s important to communicate with your employees so they’re fully bought-in to the vision of your organisation and on board with any changes.

Lack of company culture and values

What are your company values? What are you working towards? A strong culture and a well-defined and clearly communicated sense of purpose will help create unity and drive your organisation – at every level.

Avoiding six common HR pitfalls

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Next time, we’ll look in more detail at how to get talking to new people.
Rebasing for CGT
Non-doms who become deemed domiciled in the UK from 6 April 2017 under the new rules are subject to UK CGT on their gains on offshore assets as they are realised, irrespective of whether or not the proceeds are remitted to the UK. Those deemed domiciled here include people:

1. resident in the UK for 15 of the last 20 tax years, and
2. resident in the current year, who were born in the UK with a UK domicile of origin – irrespective of whether they subsequently acquired a domicile elsewhere.

Those deemed UK domiciled because of the 15/20 rule who have also paid the remittance basis charge in at least one tax year before 2017/18 will benefit from rebasing of their assets held outside the UK since 15 March 2016. Rebasing means that the value as at 5 April 2017 is used instead of original cost in calculating any gain on disposal of such assets. Rebasing does not apply to those who only became deemed domiciled on 6 April 2018.

Tax free remittances from offshore funds
If the remittance basis applied to you for any tax year before 2017/18 (unless you were born in the UK with a UK domicile of origin), you may ‘cleanse’ an offshore account that contains unremitted income or gains by transferring out clean capital, for example, to another offshore account. Cash may then be remitted from that account to the UK tax-free. The transfer must be made before 6 April 2019.

Changes for non-doms

Corporation tax
Corporate loss restriction
For any part of an accounting periods (APs) after 31 March 2017, the treatment of losses is less restrictive, provided that group profits don’t exceed £5m. Most carried forward losses can now be set against the total taxable profits of a company and its group members, without the historic distinction between trading and non-trading profits. Where group profits exceed £5m losses may only be set off against the first £5m of profits plus 50% of any excess. Any balance of unused losses is carried forward.

Corporation tax instalment payments
Currently, companies or groups with taxable profits of up to £1.5m pay corporation tax nine months and one day after the end of the AP.

Companies or groups with annual taxable profits of more than £1.5m have to pay in four instalments, usually in months seven and ten in the accounting year and then months one and four of the next AP.

As first announced in the Summer 2015 Budget, for ‘very large’ companies or groups, i.e. those with profits in excess of £20m, the timing of corporation tax instalments will change for APs beginning after March 2019. Quarterly payments will be due in months three, six, nine and twelve in the relevant AP.

Trust Registration Service
A fifth Anti-Money Laundering Directive has very recently been announced which will mean that almost all trusts will need to add information about the trust to a central register, not just those with a tax liability. EU Member States will be able to decide who has access to the register of beneficial ownership, which could mean it will be available to the public.

Some relaxation has been announced on the requirement to register pension trusts. HMRC is currently saying that non-resident trusts that only have an inheritance tax liability because they own shares in an offshore company that owns UK residential property do not have to register.

HMRC has not announced anything on bare trusts (liable for Stamp Duty Land Tax on leases granted) or flat management companies (multiple settlers, and actual income tax liabilities). Despite that, HMRC is already giving details of its attitude towards penalties.

Minimum wage
The National Minimum Wage (NMW) and National Living Wage rates rose from April 2018. See www.tinyurl.com/TX-NMW

NMW and directors
It is widely understood that the NMW only applies to a director who is an employee. However, it has been suggested that a director without an overt employment contract who agrees to abide by the conditions set out in an employment handbook, might become an employee. This seems implausible, but the possibility has been mentioned.

Childcare voucher scheme
The government is extending the salary sacrifice childcare voucher scheme to 5 October 2018. For more information, visit: http://bit.ly/zKSjdIC

Scotland
From 6 April 2018, the Scottish rate of income tax (SRIT) and bands changed, and HMRC has explained how five UK tax reliefs will continue to work as they were intended. This is needed because of the new discrepancies between SRIT and the rest of the UK.

Stamp Duty Land Tax (SDLT)
The SDLT filing date will be cut from 30 days to 14 days for transactions from 1 March 2019.
A Land Transaction Tax replaced SDLT in Wales from 1 April 2018. Rates and rules differ from SDLT. The Welsh Landfill Disposal Tax replaced Landfill Tax.

Electric cars
The 2017 Budget promised to exempt from tax the use of employers’ electricity supply for charging electric vehicles at work, but there is nothing about this in the Finance Act 2018. It is expected to be in the Finance Act 2019, but effective from 6 April 2018.
Changes affecting non-resident trusts from 6 April 2018

Capital payments to non-residents
Capital gains realised by certain offshore trusts are held in a ‘pool’ and allocated to the trust’s beneficiaries when they receive payments from the trust. The beneficiary is taxed on the gain attributed to them. In recent years many trusts have reduced the pool of gains by making payments to beneficiaries who are not taxable in the UK, and only making payments to UK taxable beneficiaries when the pool of gains has been depleted.

In future capital payments to non-residents won’t generally reduce the pool of gains.

The exceptions are those to a close member of the settlor’s family, if the settlor is UK resident, as the settlor is then chargeable.

This applies to capital payments after 5 April 2018 and earlier capital payments not attributed to trust gains by that date. Also to be disregarded are capital payments to UK-resident beneficiaries who migrate before the payment is matched to trust gains.

Onwards gifts
Another loophole that HMRC have addressed is the practice of making capital payments to a non-taxable beneficiary, who then makes a gift to a second person who would have been allocated pooled trust gains if the distribution from the trust had been made directly to them.

Recipients of such gifts made after 5 April 2018 will be allocated gains from the trust gains pool.

A similar provision applies from 6 April 2018 for income tax on benefits provided by non-resident trusts and under the ‘transfer of assets abroad’ regime.

Behind the scenes at HMRC
The inner workings of HMRC are rarely of interest to outsiders but sometimes it can be useful to have some insight to enable a bit of forward planning.

Some time ago HMRC announced that some of its smaller offices were likely to be closed in favour of larger regional centres. As part of that process HMRC is redistributing some functions to other parts of the country.

In the long run this may be a positive development but in the short term it is creating delays which, in some cases, can be as long as six months.

In relation to VAT we are currently seeing lengthy delays in the following teams:

Error correction team
This team processes the error notification forms used to declare errors made on VAT returns and can either lead to additional VAT payable to HMRC or to the receipt of a refund.

This team has a backlog of at least three months, which may be good news if you owe money but not so good if you’re waiting for a refund.

Written enquiries and clearances team
This team has a three to four month backlog, so if you need a written opinion from HMRC on a VAT matter you’ll need to plan ahead.

Option to tax team – belated notifications and requests for copies of acknowledgements
This is the team to contact when you can’t find a copy of the acknowledgment of an option to tax. It’s currently operating with a backlog of four to six months.

In our experience, acknowledgements of options to tax may never have been an acknowledgment as these were not always issued by Customs & Excise.

It’s fairly common for the question of whether or not VAT should apply to a property transaction to be looked at when the exchange of contracts is imminent, so having to wait four to six months for HMRC to deal with a request for a copy may well stall the transaction completely.

So, even if you’re not contemplating selling one of your properties we recommend checking you have all of your acknowledgements of options to tax. Write to HMRC now for any that you can’t find.

Update on Making Tax Digital For VAT
The regulations have now been enacted and it has been confirmed that the start date will not be delayed, so affected businesses must be compliant from 1 April 2019.

Affected business are VAT-registered businesses with turnover in excess of the VAT registration threshold. Businesses that are VAT-registered but have turnover below the registration threshold will be able to volunteer.

None of the accounting software currently available is fully compliant with the regulations as they are still being tested.

We have been assured that compliant software will be available by the end of 2018 but it’s likely to mean that many businesses will be obliged to change to a compliant package partway through the financial year. This is not desirable but there appears to be little choice.

If you need help or advice on making the transition to compliant software please speak to your usual contact at Shipleys or to the VAT team.

UK property taxes

A brief guide to income tax relief for landlords

If you let property a number of changes came in last year that affect the tax payable on your rent.

Cash basis
From 6 April 2017 HMRC expects individual landlords with gross rents of under £150,000 a year to declare their rental income on the cash basis, unless they elect annually in their tax return to use the accruals basis. The cash basis entails reporting simply the income received and expenses paid in the period, irrespective of the period to which they relate. This means that if a tenant pays a month’s rent in the tax year after that in which it was due, the landlord has to declare 11 months’ rent in the first year and 13 months in the second.

Finance charges
Except for in furnished holiday accommodation, tax relief loan interest on residential property is being restricted to the 20% basic rate. This restriction is being phased in – for 2017/18 it applies to a quarter of such costs, half the costs for 2018/19, three quarters for 2019/20, and from 6 April 2020 it will apply to the whole cost.

This will work by replacing a deduction for the relevant proportion of the finance costs by a tax credit of 20% of that amount. This can have other consequences, for example because the interest is not offset against the rent, this may result in an individual having income in the £100,000 to £123,700 band in which the personal allowance is withdrawn.

Finance charges – cash basis
Where rental income is calculated on the cash basis, there can be a further restriction of the relief for finance costs in relation to residential and commercial property. Tax-deductible finance costs are restricted if the loans outstanding at the 'end time' – generally the end of the tax year – exceed the value of the properties when first acquired.

Other expenses
Income tax relief is available for other revenue expenses – repairs and maintenance, insurance, agents’ commission, etc – but is limited for capital expenditure.

The cost of replacing ‘domestic items’ on a like-for-like basis in a dwelling house is tax-deductible, unless the property is let as part of a furnished holiday letting business (which have their own rules) or if ‘rent-a-room relief’ applies (see below for more on this). Domestic items include furniture, furnishings, household appliances and kitchenware, but do not include fixtures, such as a boiler or radiators.

For non-residential property, capital allowances are available on the cost of ‘plant and machinery’, integral features, thermal insulation and security features.

Lease premiums
If a lease for 50 years or less is granted for a premium, with or without a rent in addition, part of the premium will be treated as representing a part disposal for capital gains tax (CGT) purposes, and part will be treated as rent subject to income tax. The proportion depends on the length of the lease.

Rent-a-room relief
This is available where income is derived from letting furnished accommodation within the landlord’s only or main residence. If gross rents are no more than £7,500 they are exempt. If they exceed £7,500 a landlord may choose either to calculate profit or loss in the usual way or elect to be taxed on the excess of gross rents over £7,500. The figure of £7,500 is ‘shared’ between those who get income from the same property.

Property allowance
If property rent does not exceed £1,000 a year, the income is exempt from tax, but no tax relief is given for associated expenses. If income or receipts exceed £1,000, the landlord may claim to be taxed only on the excess, but again with no tax relief given for associated expenses.

Furnished holiday lettings
The commercial letting of furnished holiday accommodation is defined at length in the legislation. Where it qualifies, it is taxed as though it were a trade. Among other things this means that the finance charge restrictions mentioned above don’t apply, as mentioned above.
Non-residents who dispose of UK residential property must report the transaction to HMRC within 30 days of completion. The tax payable is due at the same time unless they already complete a UK self-assessment tax return. Penalties are being imposed for late reporting by non-residents. This contrasts with the current obligations on a resident to report a disposal to HMRC by 31 January following the end of the tax year. After 5 April 2020, residents will also be required to report and pay the tax on disposal of UK residential property within 30 days.

Calculation of gains by non-residents
The taxable gain on a non-resident’s disposal of UK residential property held on 5 April 2015 is normally the excess of the realised above the market value at that date. However, you can elect to have the gain or loss computed either by comparing the net disposal proceeds with the original cost or on a ‘straight-line’ basis, splitting the overall gain or loss chronologically between the period before and after 5 April 2015. Such an election is irrevocable.

Non-resident capital gains: disposals to be reported 30 days after completion

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**Shipleys news**

**A warm welcome to new principal Tajinder Bhalla**

Tajinder works from our London and Godalming offices and provides planning advice for private clients and business owner managers, with a particular focus on property taxes, including mitigating CGT and Stamp Duty Land Tax. He also advises on HMRC tax enquiries and appeals to the Tax Tribunal.

Tajinder spent 12 years at GlaxoSmithKline as a tax director advising on indirect and international tax, as well as holding a number of other senior commercial roles. He then joined Deloitte as a member of its Deal Review Board, where he led the integration of the tax and consulting service lines. More recently he was head of tax for a London firm of chartered accountants specialising in private client work for high net worth individuals and family offices.

**RideLondon-Surrey for Oakleaf**

Team Shipleys will be taking up the Prudential RideLondon-Surrey challenge on 29 July 2018 in aid of Oakleaf. They follow on from the success of Alice Ancrum, Lizzi Gear, Steve Hume and former Shipleys’ principal Steve Ryman who all completed the cycle challenge last summer.

Oakleaf is a charity dedicated to helping those suffering with mental health issues to get back into employment and the community and has strong links to our office in Godalming.

If you would like to sponsor the Shipleys team please follow this link: http://bit.ly/2zDxhfI

**New online guides**

We have recently published a couple of handy guides on our website.

Our employers’ checklist gives key dates for employers throughout the tax year: http://bit.ly/2u9Y0PL


In the last issue of Shipshape we touched on the issues surrounding VAT and residential property renovations and conversions. We’ve now produced a guide called ‘Common VAT mistakes with property renovations’. You can download it at: http://bit.ly/2MVwCyR

If you would like a hard copy of any of these, please email Marlene Wallace on wallacem@shipleys.com or call 020 7312 0000.

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**Alumni news**

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**Ashfords, Australia**

Ashfords provides financial and strategic advice in the areas of accounting, audit, taxation and financial planning to a range of organisations and individuals in Dandenong and Melbourne’s suburbs. It was founded in 2015 from a merger of two accounting firms originally established in the early 1970s. Understanding that every client is unique, Ashfords provides professional tailored advice and innovative financial solutions to ensure that each client receives maximum leverage and peace of mind.

**Australian outlook**

The global and Australian domestic economies have remained positive for the past year or so. Labour markets are tightening, inflation has risen slightly and is expected to continue to rise in a few Australian state economies. The unemployment rate is a little lower than a year ago at 5.5%, wages growth has improved, and the outlook for investments is positive. If the economy continues to perform as expected, higher interest rates are likely to occur at some point in the future, but are expected in the short term. Overall, the Australian economy is performing in line with expectations.

www.ashfords.com.au
Many people have a 'bucket list' of things they would like to achieve or experience in their lifetime. One very simple thing you could add to yours is getting your financial affairs in order. It’s maybe not quite as exciting as swimming with dolphins or as glamorous as going up the Eiffel Tower, but once done it can free your mind to enjoy ticking off the more interesting things on your list.

Perhaps you have a family member who needs some help with getting their financial house in order? Investing a little time helping them now could make life easier for you in the future.

Whether you’re doing it for yourself or helping someone else, here are the top four issues we suggest you prioritise.

1. Organise power of attorney
A lasting power of attorney (LPA) is a legal document that lets you appoint one or more people you trust to be attorneys and make decisions on your behalf, if you become incapable.

There are two different types of LPA: property and financial affairs, and health and welfare. A property and financial affairs LPA gives the attorney the power to make decisions on your behalf about bank accounts, paying bills, investments and property. The health and welfare LPA covers decisions about medical care and daily living.

You can choose to make one or both and they aren’t complicated to put into place. Done properly they can bring great comfort, and ease the administrative burden for family members in the future.

If you have assets in other jurisdictions, it’s sensible to look into creating a power of attorney or its equivalent in those jurisdictions.

2. Inheritance tax planning
Simply working out the inheritance tax (IHT) payable on your estate (or on the subsequent death of your spouse or civil partner if you leave everything to them) is often enough to shock people into exploring what options they have to save IHT.

For example, a simple way to save IHT is to write life insurance into trust. Beneficiaries can agree to alter the will after death using a deed of variation and this is quite common when significant tax savings can be made. It can help to reduce tax liabilities or provide an opportunity to move the deceased’s assets into a trust.

Once you’ve made your will, it’s important to keep it in a safe place and tell your executor, a close friend or relative where the original is held. Your chosen executors (or guardians of dependant children) should be informed of this. Executors should be given a copy of the will and, if the will includes discretionary powers, a copy of any non-binding letters of wishes.

3. Writing a will
There are many reasons for writing a will. From a non-financial point of view it ensures that you decide who gets your assets – rather than relying on the rules of intestacy – or triggering a family rift. You’ll have the peace of mind of knowing that your loved-ones will benefit as you want them to once you’ve passed away.

The financial benefits of making a will include:
- saving IHT
- the ability to set up a trust for children in the family, while retaining some control until they are an appropriate age
- avoiding intestacy, which can be costly
- succession planning for your business.

Beneficiaries can agree to alter a will after death using a deed of variation and this is quite common when significant tax savings can be made. It can help to reduce tax liabilities or provide an opportunity to move the deceased’s assets into a trust.

4. Documenting important information
To make your executor’s job easier it’s vital to keep good records. This isn’t necessarily about tax planning and doesn’t need to be complicated. Even where no IHT liability is expected, for example because of spouse exemption or the size of the estate, your executor’s task will be made much simpler if they have a comprehensive list of assets and other relevant information.

Keeping your affairs up to date
If you’ve already written a will, organised a power of attorney and filled in a Personal Affairs Checklist, it’s important to review them periodically and keep them up to date in line with your circumstances and wishes.

Now, back to the fun stuff on your bucket list...

For further information, please contact one of our offices:

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<th>London</th>
<th>Godalming</th>
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<tbody>
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<td>10 Orange Street, Haymarket, London WC2H 7DQ T +44 (0)20 7312 0000 E <a href="mailto:advice@shipleys.com">advice@shipleys.com</a></td>
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