Spring 2018

Financial and business intelligence

SHIPSHAPE

Counting down

Get your finances in order before important deadlines kick in

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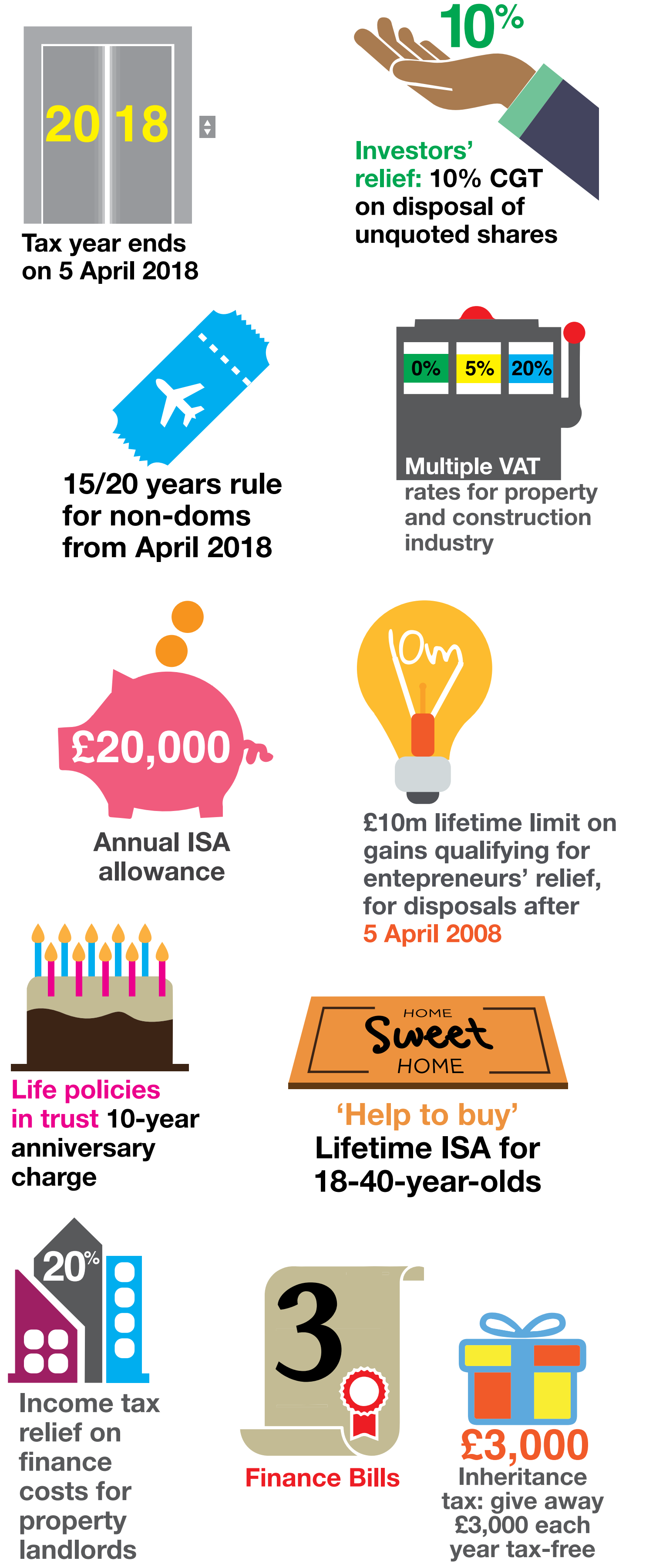
Shipshape articles are intended to create awareness of issues and specific advice should be obtained before taking action, or refraining from taking action in relation to the topics covered.

Designed and co-edited by Thirdperson.co.uk



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Deadlines and commitments

Inertia is often the default position when any of us are asked to do something boring or complicated especially, when the implementation date seems way off.

One such deadline is the much vaunted EU General Data Protection Regulation (GDPR) rules that come into force on 25 May, which will profoundly change the relationship between organisations and individuals and the use of personal data. There are some fairly hefty fines that are being brought in and a raft of reporting obligations for any breaches. Without a doubt someone will be made an example of so it's wise to make sure it isn't you.

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Please see the box on the right of this article to find out how you can tell us you want to opt in. We urge you to do it right away – it should only take a minute or two.

These new rules around data apply to all businesses. So if you're a business owner, take a moment to ask yourself if you're prepared for GDPR. If not, it's important to act now in order to give yourself plenty of time before the rules come into force in May.

Big wheel keep on turning....
It seems like we've only just finished with last year's tax filings and off we go again. So with 5 April just around the corner, we include a helpful round-up of year-end tax planning tips. These include reminders about this year's ISA limit, tax efficient investments into new and entrepreneurial businesses, and deferral of any capital gains. Unless your marginal tax rate will be higher for 2018/19 make sure you make contributions into your pension by 5 April, subject to the maximum allowance.

And for those of you who run your own limited companies and whose year-end is 31 March, don't forget that corporation tax relief is available on your corporate pension contributions if they are made by that date.

Shiny happy people
Some important issues have less clear deadlines, but still need to be managed and prioritised. Take employment law for example. In our article about flexible working on page 5, we look at how technological developments and changing attitudes to life and work are enabling an increasing number of people to work irregular hours and from remote locations. If you're an employer, you're legally required to properly consider any requests for flexible working arrangements and document your response.

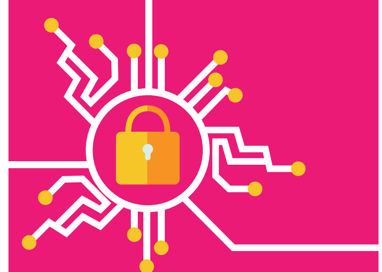
Could it be magic?
Unlike American rapper 50 Cent I'm sure all of us would notice if we had accidentally become a bitcoin millionaire, but in Money Matters on the back page we consider some of the issues around holding a cryptocurrency such as bitcoin as an asset. We give a brief overview of how the blockchain, the disruptive technology that underpins cryptocurrencies, is poised to change how people do business.

Income tax relief on up to £100,000 in SEIS

Income tax relief on up to £1m investment in social enterprises

GDPR

Important information act now!



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End of year tax

Now's the time to consider potential tax saving opportunities

As we approach the tax year-end (5 April) you may be able to choose the tax year in which your income, gains or reliefs fall. This can affect your tax rate, and therefore the amount of tax you have to pay, and also when it needs to be paid.

Income and gains

With marginal rates and tax bands remaining much the same for the new tax year, the timing of your liabilities will be the main issue to consider.

It's usually best to claim child benefit even if this is effectively paid back through the High Income Child Benefit Charge, as it's the claim to the benefit that makes the year count for state pension purposes.

Pension contributions

Unless your marginal tax rate will be higher for 2018/19 it's better to make any pension contributions by 5 April 2018, subject to the maximum allowance for that tax year. Unless your income exceeds £150,000, this is £40,000 plus unused relief brought forward. This is the amount by which any contributions made by you and your employer into a pension scheme in the previous three years fell short of the annual limit. However, pension inputs for those in 'drawdown' are limited to £4,000 a year.

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

If, when you come to take money from your pension, your pot is worth more than the lifetime allowance you will have to pay a special tax charge on the excess: 25% for income and 55% for lump sums. There are a number of elections you can make to benefit from a higher lifetime allowance than the latest figure of £1m (£1.03m from 6 April 2018). Anyone who has an election in place requiring no further pension contributions should beware of being automatically included in a workplace pension scheme.

Charitable giving

Unless your marginal tax rate will be higher for 2018/19 it's better to do any charitable giving by 5 April 2018. This applies not only to gift aid donations but also to gifts of listed securities and land, where these qualify for income tax relief. However, you may elect to treat gift aid cash donations made between 5 April 2018 and the date you file your 2018 tax return, but not later than 31 January 2019, as though they were made in 2017/18 for income tax purposes.

Note that the changes to the taxation of dividends and interest may result in many people who previously were taxpayers, finding they now have a tax liability only because of gift aid donations. This is because the donor has to meet the shortfall if tax recoverable by charities on his or her cash donations exceeds that chargeable on the donor's income and gains for the year. Anyone who might be caught should consider withdrawing gift aid declarations at least temporarily, and then re-issuing them if their income and gains later prove to be sufficient.

Property income

Some landlords may find themselves taxed on their net cash receipts from letting land and buildings in 2017/18. This will not always be preferable, so they may want to elect that it doesn't apply.

Capital gains

Deferring a disposal that gives rise to a capital gain greater than the annual capital gains tax (CGT) exemption (£11,300 for 2017/18) until after 5 April means CGT would be payable a year later. Deferral might also mean that you become eligible for entrepreneurs' relief or investors' relief, where gains are taxed at 10% rather than 20%, because one of the conditions for entrepreneurs' relief is that the asset must have been held for at least a year (three years for investors' relief). The 'lifetime limit' on gains that can qualify for entrepreneurs' relief is £10m for disposals made after 5 April 2008 and £10m for those that will qualify for investors' relief (this relief only applies to shares issued after 16 March 2016).

If any assets have become of negligible value, consider a loss claim for CGT purposes. In some circumstances income tax relief may be available instead. 'Bed and breakfasting', i.e. selling shares or securities to realise a gain covered by losses or the annual exemption and then buying back the same shareholding, is caught by anti-avoidance rules if the purchase takes place within 30

days. However, these rules don't apply to shares 'reacquired' by your spouse or ISA.

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

Inheritance tax

There are a number of exemptions for lifetime gifts that don't depend on surviving at least seven years. But giving sooner rather than later is often preferable. You can give up to £3,000 each tax year, and any part of this allowance not used in the preceding year. In addition, you can give up to £250 each to any number of people each year. Gifts of assets that grow in value can save inheritance tax (IHT) even if the donor dies within seven years, because the growth in value is in the recipient's estate, not that of the donor.

Regular gifts out of income are exempt without a limit, provided your remaining after-tax income is sufficient to maintain your usual standard of living.
Don't forget that gifts can result in a CGT liability.

Non-doms and offshore trusts

Trustees, settlors and beneficiaries of offshore trusts should be aware of changes coming in from 6 April 2018, which are discussed in more detail on page 6.

Many long-term resident non-domiciliaries have been deemed domiciled for income tax, CGT and IHT purposes with effect from 6 April 2017. Others will become deemed domiciled from 6 April 2018 if they've have been resident for 15 out of the previous 20 tax years, or if they were born in the UK with a domicile of origin in the UK and are resident in the UK (for IHT if they were UK resident in the previous year as well).

The trustees of 'settlor-interested' offshore trusts may need to consider action before 6 April 2018 regarding loans to or by the trust, if the settlor has become deemed UK domiciled, in order to retain 'protected' status.

More detail on this and other changes affecting non-doms and offshore trusts are summarised at *http://www.shipleys.com/resources/issue/non-resident-trusts*

Tax-efficient investments

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

Income tax relief at 50% is available on up to £100,000 each tax year subscribed for shares issued by smaller companies qualifying for Seed Enterprise Investment Scheme (SEIS) relief provided the shares are held for at least three years. Any gain on their sale after three years is exempt from CGT.

CGT on a gain made in the period beginning 12 months before the subscription and ending 36 months after it may be deferred by making EIS or SEIS investments, even if you are connected with the company.

VCTs

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

Entrepreneurs' relief

Gains up to a lifetime maximum of £10m are taxed at 10%. Eligible gains are those realised by individuals, and in some instances trustees, on the disposal of interests in a business (trade, profession etc.), assets used for such a business, or shares in an unlisted trading company of which the individual is at least a 5% shareholder and an office holder, subject to a minimum ownership period. Those contemplating a disposal should ensure they qualify as gains are otherwise likely to be taxed at 20%.

Social enterprises

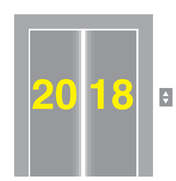
Income tax relief at 30% is available on an investment (up to £1m) in 'social enterprises'.

ISAs

No tax is payable on income and gains on investments within an Individual Savings Account (ISA). You can invest up to £20,000 in total each year.

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

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



Tax year ends on 5 April 2018

Inheritance tax myth-busters

Clearing up five common misunderstandings about inheritance tax

Myth 1

I can give everything away and my beneficiaries won't need to pay inheritance tax (IHT), as I won't own anything when I die.

If only that were true!

Actually you can give away as much as you like to individuals with no immediate IHT liability. There may be a liability if you die within seven years, but there are a number of exemptions. But If you're giving 'chargeable assets' like shares or land, there may be a capital gains tax liability.

Gifts into trust or to a company can involve an immediate IHT liability, sometimes with more payable if you die within seven years. Gifts and bequests to bodies such as charities and certain UK political parties are generally exempt from IHT. However, gifts to referendum campaigns are not exempt. According to a report in *The Times*: "Entrepreneurs who supported Brexit have complained of 'outrageous' tax bills for their contributions to the Leave campaign."

Myth 2

I'm only allowed to give away £3,000 a year.

You're allowed to give away as much as you like, but only £3,000 a year will be covered by the annual exemption. This is an annual exemption for gifts to anyone – even the Leave campaign! The unused part of this £3,000 exemption can be carried forward, for one tax year only. Otherwise you can give whatever you like, but with the tax consequences mentioned above.

Myth 3

There will be no IHT to pay if I give my home to my children, but they let me continue to live there and I survive for at least seven years.

Unfortunately, unless you pay a market rent, the home will continue to be treated as part of your estate for IHT purposes. This is because it would be regarded as a gift subject to a reservation of benefit (GROB).

Myth 4

I can give a share in my home to my unmarried daughter and there will be no IHT to pay.

If you both live there and you meet your share of the running costs, then it's not regarded as a GROB. But if your daughter moves out it would then become a GROB and would be subject to IHT.

Inheritance tax: key facts

On death, individuals are taxed at a rate of 40% on all of their assets above a threshold.

This nil rate band threshold is currently £325,000, but from April 2017 a new, 'family home allowance', started to be phased in. It will be worth £100,000 in 2017/18, £125,000 in 2018/19, £150,000 in 2019/20, and £175,000 in 2020/21.

There's more on this at: *http://www.shipleys.com/resources/issue/making-the-most-of-the-new-family-home-allowance*

Myth 5

I don't need a will as everything will go to my wife or partner and there will be no IHT.

This is only partly right as there are different rules for married and unmarried partners. Firstly, unmarried partners enjoy no IHT exemption – yet. Secondly, the exemption is limited if the recipient is not domiciled in the UK for IHT purposes but the transferor is. Then the total exemption is only a cumulative £325,000. Where this is relevant, it may be worth the recipient considering the merit of electing to be treated as UK-domiciled.

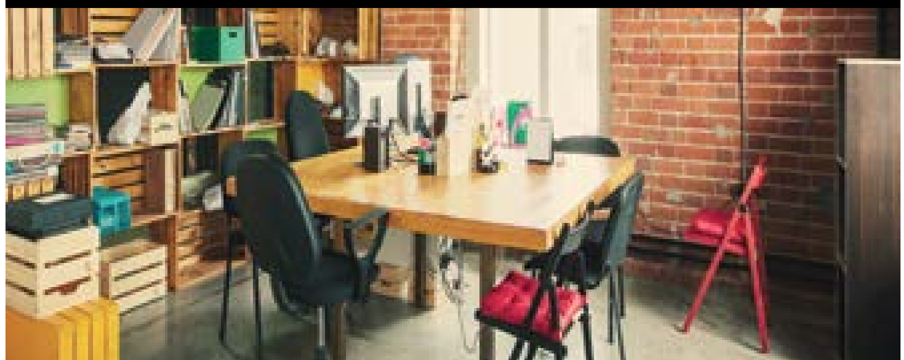
In either case, you do need a will for the following reasons:

- To make sure the right people benefit
- To ensure the wrong ones don't
- To avoid arguments after you're gone
- To minimise IHT

If you don't have a properly executed will, your estate will pass in accordance with the law of intestacy; and possibly in accordance with the forced heirship law of another country if you own any assets abroad. Typically, in an intestacy, part of your estate – sometimes all – will go to a surviving spouse or civil partner, even if you have separated. A properly drafted will avoids this.

Conversely, if you and your partner aren't married or in a civil partnership, the intestacy laws alone are unlikely to give the survivor any right to your estate. He or she may succeed in a claim as a dependant under the Inheritance (Provision for Family and Dependants) Act 1975, but this is complicated and uncertain. A properly drafted will avoids this problem.

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



Flexible working and the modern office

Offering employees more flexibility to allow for long commutes or responsibilities outside of work can help to create the best environment for an engaged and productive workforce.

At some point, most people have probably felt the frustrations of working nine-to-five that Dolly Parton famously sang about back in 1980. Nearly four decades on, technological, cultural and legal changes are starting to shift attitudes to the work environment, with more businesses embracing flexible working.

In the UK all employees now have a legal right to ask for flexible working arrangements and employers must have a policy in place to deal with such requests.

The modern workplace

Flexible working policies that enable employees to vary their hours and work remotely can make it easier to attract and retain talent. A 2016 Vodafone survey found that 83% of business professionals believed flexible working policies had increased productivity and 61% said it had helped increase profits.

For the last six years Google has topped Fortune's annual list of the best 100 companies to work for. Google workers in the US get on-site childcare, generous paid parental leave, laundry and fitness facilities, healthy gourmet meals, on-site massages, free fitness classes, gym memberships and generous holiday plans. Although employees have the options to work remotely, with free wifi-enabled shuttles to and from work, just 28% of employees take the option to work remotely some, most or all of the time.

Obstacles

Despite evidence of the positive benefits, many employers still believe in the culture of 'presenteeism', with workers at their desks from 6am or doing 'all-nighters' seen as a sign of productivity. Smaller companies may look at Google's set-up and dismiss flexible working policies as impractical and unachievable.

But many others are seeing that giving people the ability to work from home and out of 'normal' office hours is not necessarily difficult or expensive to set up.

Finding the right balance

Offices will continue to play a vital role for most businesses and it's important not to overlook the benefits of employees working in a team. Companies need to create a space that encourages productivity and collaboration.

But companies should trust their employees and nurture an environment that enables them to do their very best work, wherever that may be. Sometimes this will mean coming into the office and working with colleagues, while at other times it might mean allowing them to crack on with a complex report at home, while waiting for the plumber to arrive.

For more information, visit:

www.shipleys.com/business-club/past-meetings/the-flexible-workforce1

www.gov.uk/flexible-working/overview

More Finance Bills

The second Finance Bill of 2017 received Royal Assent, to become the Finance (No.2) Act 2017, on 16 November 2017. A third Finance Bill was published on 1 December 2017, reflecting the measures announced in the Budget on 22 November, which will become the Finance Act 2018.

Inheritance tax avoidance

The Inheritance Tax Avoidance Schemes (Prescribed Descriptions of Arrangements) Regulations 2017 come into force on 1 April 2018, requiring users of 'schemes' to report their use to HMRC.

Property landlords

Property landlords are already facing a number of changes, which have applied with effect from 6 April 2017.

For many landlords their tax liability on rental income is based on net cash receipts from their property business, unless they elect otherwise. Where the cash basis applies, the tax-deductible finance costs are restricted if the amount owed at the year-end exceeds the cost of properties held when acquired for the property business. There may be a comparable restriction if the cash basis is not applicable, but it is likely to be more flexible.

This restriction is separate to the provision that confines the income tax relief for part of the finance costs of landlords of residential property to 20%. The proportion affected is 25% in 2017/18, 50% in 2018/19 and will rise to 75% for 2019/20 and 100% subsequently. This also applies to interest on loans used to provide capital for partnerships letting residential property.

Non-residents' gains on UK commercial property

Since April 2015 gains on disposal of UK residential property realised by non-resident individuals, trusts and 'close' companies have been subject to tax.

From 1 April 2019 (6 April for individuals and trustees) this will extend to 'widely-held' companies and to gains on disposal of all UK land and buildings. Furthermore, gains on disposal of interests (of 25% or more, held at the time of disposal or within the preceding five years – even before April 2019) in 'property-rich' entities will be taxable. An entity is 'property-rich' if 75% or more of its gross asset value is represented by UK immovable property.

As with the existing regime for non-residents' disposals of UK residential property, disposals are to be reported within 30 days of completion, and the tax paid then unless it comes under the self-assessment regime. Although the tax charge will only apply to gains over market value at April 2019, or subsequent cost, there are to be anti-avoidance provisions effective from 22 November 2017, aimed at 'treaty-shopping' for example.

Recognising the problems of getting non-residents to comply, certain UK advisers will have to report such gains if they have sufficient knowledge of transactions.

All change for offshore trusts

The changes to the treatment of non-domiciliaries from 6 April 2017 affected many UK-resident settlors of offshore trusts.

Changes proposed from 6 April 2018 will also affect UK-resident beneficiaries of such trusts.

Before 6 April 2017, if an offshore trust was 'settlor-interested', the settlor, if both UK-resident and domiciled, was subject to capital gains tax (CGT) on the trustees' gains as they arose.

From 6 April 2017, this also applies if settlors are deemed domiciled because they have a domicile of origin in the UK and were born here. It will also apply if settlors are otherwise deemed domiciled (because they've been resident for at least 15 of the previous 20 tax years), once property or value is added to the trust by the settlor.

A trust is 'settlor-interested' for CGT purposes if it includes among its beneficiaries the settlor, the settlor's spouse or civil partner, the settlor's children or grandchildren. It is 'settlor-interested' for income tax purposes if the beneficiaries include the settlor or the settlor's spouse or civil partner.

If the offshore trust's gains are not chargeable on the settlor, a CGT liability falls on UK-resident recipients of capital payments that are matched with trust gains.

A similar treatment applies for income tax purposes.

Proposed changes

The changes proposed from 6 April 2018 are to disregard capital payments to non-residents, and therefore not reduce the trust gains that might be matched with capital payments to a UK resident which might result in a CGT liability. This is to apply to capital payments made after 5 April 2018 and also to capital payments made before 6 April 2018 not then matched with trust gains.

Capital payments are not disregarded in the following three exceptions:

1. If they are made in the tax year that the trust ends, and if received by at least one non-resident and one UK resident,
2. If they are made to someone who proves to be a temporary non-resident (who is taxed in the year of return), and
3. If the settlor is UK-resident and the capital payment is made to a 'close member of the settlor's family' after 5 April 2018. In that case the settlor is taxable, but may recover the tax paid from the actual recipient. Close family members are considered to be the settlor's spouse or civil partner (or those living together as such), the settlor's children or step-children under 18.

The other major change is to tax a UK-resident recipient of an onward gift, where the gift is received, within three years of the donor getting a capital payment, if the gift was intended at the outset and if the donor is either a remittance basis user or not UK-resident.

Similar changes are made to the income tax legislation affecting the settlors and beneficiaries of offshore trusts and of offshore companies and other structures affected by the 'transfers of assets abroad' regime.

Life policies

Life policies in trust
Life policies are often written in trust, so that the policy proceeds are not included in the estate of the life insured for inheritance tax (IHT) purposes, and the proceeds may be paid to the beneficiaries as soon as a death certificate is available. The payment of the premiums will often have no IHT consequence, even if paid within seven years before death, because they are met from surplus income.

This worked very well for policies written in trust before 22 March 2006, when the trust usually gave beneficiaries an 'interest in possession', so that the trust property was treated as owned by the beneficiaries for IHT purposes. Unfortunately, policies settled in such trusts after 21 March 2006 are treated for IHT purposes in the same way as discretionary trusts. The trust property is not treated as part of anyone's estate. Instead, there is an IHT charge every ten years, and otherwise when property is distributed.

Before 22 March 2006 trustees would generally have nothing to do until a death occurred, and very little then. But trustees of policies settled from 22 March 2006 onwards have new responsibilities, because more than ten years have passed since the first policies were caught within the new regime.

Trustees should review the value of these policies – and consider reporting the ten-year anniversary charge. The earliest policy trusts affected could have had to report in September 2016.

Furthermore, all life policy trusts (including those written before 22 March 2006) will be 'relevant trusts', and therefore subject to the regime introduced by The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017/692. Once a liability to IHT arises, the trust will need to be registered with HMRC's Trust Registration Service (TRS). And even if registration is not yet required, trustees must now maintain written records of the information that would be required for the TRS if the trust has to be registered.

Top-slicing relief
The gain realised on a 'chargeable event' affecting a non-qualifying life policy is subject to income tax, with credit for basic rate tax for UK-based policies. If the policy has been held for two or more years, top-slicing relief may reduce the tax on the gain that would otherwise be charged at a higher rate of tax. It has been suggested that in some cases this has been miscalculated by HMRC, generally to taxpayers' detriment. HMRC is reviewing the situation.

Scotland

2018/19 taxes for Scottish taxpayers on non-savings and non-dividends income differ from those for the rest of the UK. Scotland also has its own air passenger duty, landfill tax and land and buildings transaction tax.

VAT corner %

VAT and property

Residential renovations and conversions

The VAT rules relating to property and construction are so complicated that even HMRC's own people can struggle to understand them.

There are many reasons for this complexity but it's clear that the multiplicity of applicable VAT rates (0%, 5%, 20% and exemption) and the interaction with the option to tax are contributing factors.

In addition, many property owners are unable to recover VAT charged by suppliers, so it's important to ensure that the correct rate of VAT is charged.

It would take an entire book to cover every aspect of VAT that applies to property and construction, but we look below at some aspects of residential renovations and conversions.

Residential renovations and conversions
In most cases a contractor supplying renovation and conversion works will be obliged to charge VAT at 20%, which will be an added cost for the property owner because, as noted above, the VAT is unlikely to be recoverable.

For a small project it may be possible to use a contractor who is not VAT-registered, but that would only relieve the labour cost from VAT. Materials, professional fees and equipment hire would be subject to VAT at 20%.

In an effort to encourage urban regeneration a VAT relief was introduced in 2001 to enable a reduced rate of VAT (currently 5%) to apply to certain renovation and conversion works.

For the 5% rate to apply to renovation works the property must not have been lived in for at least two years prior to the works. HMRC would require documentary evidence.

To qualify for the 5% rate in relation to conversion works the number of residential units must be increased or decreased. As HMRC requires all parts of a building to be affected it can make the test quite difficult to apply. Expert advice is recommended.

For both renovations and conversions, a contractor is able to recover the 20% VAT incurred on materials, sub-contractors and equipment hire while only charging VAT at 5% to the property owner.

Unfortunately professional services from architects and surveyors still attract VAT at the full 20%.

Finally, it's worth bearing in mind that the first sale of a property that has been converted from commercial to residential use is zero-rated rather than exempt, providing a greater opportunity to recover VAT on costs.

Charities: Making Tax Digital and VAT

In the previous issue of *Shipshape* we highlighted some of the key points relating to Making Tax Digital (MTD) for VAT. At the time of publication the position for charities was unclear but we now know that they will be required to comply with MTD for VAT.

Charities with trading income above the VAT registration threshold will need to install and use MTD-compliant accounting software before the implementation date in 2019.

Building a strong future

Simon Lockyer, commercial director for Churchill Contractors and St Richard Homes, chats to Shipshape about their fast-paced growth and plans for the future.

Based in Woking, Churchill Contractors was founded in 2012 by Laurence Brown, primarily as a brickwork company working on small contracts. Commercial director Simon Lockyer explains that the company grew to include scaffolding and then roofing.

"By doing the brickwork, scaffolding and roofing, the 'shell' of the building stays entirely in our hands," says Simon. "It enables us to build units quickly and retrieve our asset – our scaffolding."

Churchill Contractors works on major house-building sites across the south-east for major UK house-builders, including Taylor Wimpey, Persimmon, Linden Homes, Countryside and Bellway.

Simon explains that after working as a sub-contractor for a number of development companies, last year they decided to buy some land and set up their own development company – St Richard Homes. This is its first year of trading and they expect to sell around 20 units.

Labour challenges

Simon says the industry's main challenge is finding enough competent labour. "We have around 700 operatives which we expect to grow to more than 1,000 this year. Good tradespeople are increasingly in high demand, less readily available and the rates of pay are rising exponentially.

"There's little we can do to mitigate against this other than to be very careful not to win more work than can sensibly be serviced. We also recruit a lot of apprentices and aim to train as many young people as possible."

Future plans

"In just six years we have grown from nothing to a projected turnover of more than £30m in 2018. We have a great relationship with most of the big players in the construction industry and pride ourselves on doing a really good job and offering a first-rate service on all contracts."

"We believe Churchill's growth will continue but expect it to be slower than what we've experienced to date.

With St Richards we hope to build the brand and become a reasonable-sized developer, creating 200-300 units per year over the next couple of years."

Support from Shipleys

For the last year, Shipleys has provided both companies with a range of services, ranging from day-to-day advice to full audited accounts.

"We outgrew our previous accountant and so looked to Shipleys to help get us on an even keel," says Simon. "Steve Foster and Peter Conneely have worked tirelessly. It hasn't been a straightforward transition but Shipleys has made it as pain-free as possible.

"We hope that Churchill and St Richards continue to grow together along with Shipleys and we look forward to what the future holds. We can't speak highly enough of how much an asset Shipleys has been to us this last year or so."

www.churchill-contractors.co.uk

'In just six years we have grown from nothing to a projected turnover of more than £30m'

ST RICHARD HOMES

Shipleys news

Shipleys HR Consultancy

Shipleys now offers a consultancy service providing businesses with straightforward, practical, and commercially-focused HR advice.

We can help make sure your business complies with UK employment legislation and support you in getting the best out of your people.

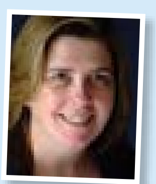
For more information, please visit: *http://www.shipleys.com/services/hr-consultancy*

Christmas jumper day

Shipleys raised £131 for Save the Children in the annual Christmas jumper day.

VAT recognition

Nancy Cruickshanks has joined the ATT (Association of Tax Technicians) council. She serves in the VAT Sub-Group and represents ATT at the EU VAT Forum and HMRC's Joint VAT Consultative Committee.



Godalming move

Our Godalming team has grown recently and the old office was getting a bit cramped. So on 8 January 2018 the Godalming office moved next-door-but-one to 5 Godalming Business Centre. The move went very well and our Godalming staff are enjoying their new space. All Godalming phone numbers and email addresses remain the same.

The Budget

We welcomed clients and contacts to our London office for a post-Budget breakfast seminar on November 23, where our tax specialists shared their insights over croissants and coffee.

Our detailed Budget summary is available to read here: *http://www.shipleys.com/resources/issue/budget-highlights*

Fee protection

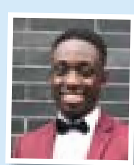
As a result of the increased risk of tax enquiries by HMRC and the introduction of a harsher penalty regime, clients may be interested in our Fee Protection Service.

For a fixed annual fee we will deal with any HMRC enquiries rather than charging on the normal basis of our time spent. This means that in the event of an enquiry you will not have to worry about the cost of our fees for dealing with it.

For more information please visit: *http://www.shipleys.com/services/fee-protection*

Exam congratulations

Congratulations to Eugene Amo-Dadzie and Cathy Xiong who have passed their exams to gain their ACA and ACCA accountancy qualifications respectively.



AGN member focus

AGN member focus

BM&A, France

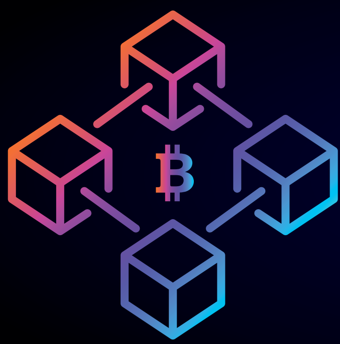
AGN member BM&A is an independent player in the French advisory and audit market. Founded over 35 years ago, BM&A has 125 employees and two offices in France, one in Morocco and one in the UK. The company specialises in supporting business leaders and investors with complex projects with stringent timescales.

Services include business transformation, securing internal processes, producing and verifying financial information, performance management, mergers and acquisitions, corporate recovery and, more recently, digital transformation.

Outlook from France

The economic outlook in France has been positive following President Macron's election. A series of reforms are being introduced to encourage foreign investment. These include reducing the corporate income tax rate to 25% within four years, cancelling the tax on financial transactions (intraday transactions), ending the wealth tax and replacing it with a tax linked to real estate wealth, and simplifying the collection of personal income tax with the introduction of a withholding tax (similar to the PAYE system). The Government is also strengthening transfer pricing protocols to align with the OECD's standards.

BM&A



Bitcoin and the blockchain

Financial game-changers

A basic guide to bitcoin, blockchain and initial coin offerings.

With the value of bitcoin rising to record levels last year and then suffering dramatic losses in the first few weeks of 2018, we look at this cryptocurrency, the blockchain technology behind it and the rise of initial coin offerings (ICOs). We also consider some of the accounting and tax implications.

Blockchain

Blockchain is a good place to start as it's the concept upon which bitcoin is built. It's essentially a digital ledger – spread across computers around the globe – that consists of blocks of transactions in a chain.

The appeal of blockchain is that when you want to add transactions, all the existing transactions are verified using a complex algorithm. This continuous verification stops alterations to the ledger that don't have proper validation. In theory, this means you can't cheat the system.

Blockchain technology can be used whenever you need a list of things. It could be employed to record property titles, share transactions, airport baggage movements, to name just a few examples. And that's why it's considered a game-changer.

In just a few years, we may see accounting transactions linked to blockchain, which would theoretically make audits redundant. That's because the nature of blockchain guarantees a transaction definitely took place, which therefore doesn't need checking.

Bitcoin

Bitcoin was one of the first cryptocurrencies launched and so far has been the most successful. This digital money has two features that make it valuable. First, it's built on blockchain technology, which means every transaction is recorded and theoretically immutable.

Second, as a decentralised currency not linked to any bank or country it's unaffected by events that can devalue currencies. For example, South Korea has been a significant buyer of bitcoin during periods when conflict with North Korea seemed possible. And as a currency accepted across the world, it can be used without worrying about exchange rates.

One aspect that has drawn criticism is the largely anonymous nature of bitcoin – something detractors say makes it prone to money laundering. Another disadvantage – in the UK at least – is that it's not currently regulated.

Theoretically, the bitcoin system could be hacked, but it would take the equivalent of half the electricity consumption of Denmark and billions of pounds of computing equipment before it could even be attempted.

How do you account for it? If a company holds bitcoin it's probably classified as either stock or a cash equivalent. As with any asset, if it goes up in value you have a taxable gain subject to corporation tax. For individuals, an increase is treated as a capital gain and is also taxable.

Initial coin offerings

Having raised more than US$3bn in 2017, initial coin offerings (ICOs) have attracted lots of attention. Similar to crowdfunding, it's a way for companies to raise finance quickly – in the form of cryptocurrencies like bitcoin.

Blockchain technology is used to create 'tokens', which entitle the holder to gain first access to a company's new product, or promise a share of a company's future profits. Unlike an initial public offering (IPO), these tokens aren't linked to equity so the holder gets no share of the company.

However, once issued, tokens can be traded on an exchange in the same way as shares. There are even investment funds that specialise in a range of ICO tokens. Unregulated and considered highly speculative and risky, ICOs have nevertheless proved to be an efficient way of raising finance in the fintech and blockchain market.

From an accounting and regulation standpoint, a company undertaking an ICO needs to be careful that it is not seen to be issuing transferable securities, which would therefore bring it within the scope of FCA regulation. So legal and accounting advice is highly recommended.

Shipleys has helped a number of clients operating in this space. Please get in touch if you would like more information.

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