

# Taking care of the future

SHIPLEYS LLP



Leaving  
the legacy  
**you** want

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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 Marlene Wallace 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.

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**minimum age  
for setting up a  
Lasting Power  
of Attorney**



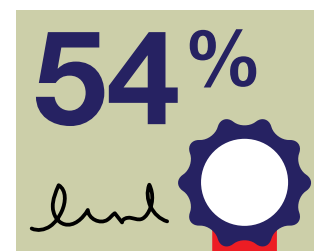
**inheritance tax on the  
value of estate exceeding  
the available nil-rate band**



**for non-UK residents to  
report disposal of 'UK  
property-rich' assets**



**to submit a stamp  
duty land tax  
return and avoid  
a penalty**



**of UK  
adults don't  
have a will\***

\*<https://www.royallondon.com/media/press-releases/2018/december/perplexed-by-wills/>

**£3,000**



**Annual limit  
on gifts out of  
capital exempt  
from IHT**



# All that you can't leave behind

Unbelievably, we're already over halfway through the year and it's been quite a rollercoaster.

Aside from the cricket and Brexit antics, the year so far has also seen a further swell of public opinion and passion about the state of the planet. We touched on this in our *Going Green Shipshape* last winter but, over recent months, campaigns for climate change and reducing plastic waste have only intensified, revealing a strong sentiment to improve the legacy current generations are passing to the next.

Aside from lobbying and campaigning, people are also considering their personal impact and are clearly starting to change their habits, purchasing preferences and lifestyle choices; firms and employers need to adapt accordingly.

How we want to be remembered, and the legacy we leave, therefore seems at the forefront of people's minds.

So how do you ensure your legacy does indeed have the effect you want? Well, a good starting point is to have a will that reflects your wishes. This helps you specify what's to be done with, and who is to benefit from, your assets – whether that's a business, cash or property.

## I remember you

When it comes to a legacy, no one is a fan of paying inheritance tax (IHT). It's seen as an unfair tax on lifetime earnings you've already paid tax on. But like it or not, failing to plan for IHT can mean the taxman gets a bigger slice of your estate than need be.

Despite the much-publicised changes that will lead to the scrapping of IHT on £1m homes by 2020/21, soaring house prices (especially in London and the South East) mean this kind of relief might not have the impact many people hoped for. If your overall estate is worth more than £2m, you may not qualify for the exemption at all. That also presupposes we still have a Conservative government by then.

All this means a will and IHT planning are important when considering your personal legacy or business succession plan, which is why in this *Shipshape*, we've outlined some simple steps to take. We also have the knowhow to guide you through the process.

In addition to helping with IHT and succession planning, we've introduced a new probate and administration service. If you're named as an executor to a friend or relative's will, getting the Grant

of Probate can be an intimidating task and we can offer a helping hand as Shipleys is now accredited by the Institute of Chartered Accountants in England and Wales (ICAEW) to conduct probate.

## Give it away

It's worth mentioning that when people leave money to charity in their will, it's often in the form of a fixed amount.

With the current IHT rules, it's sometimes better to leave a percentage of your estate instead. Leaving money to charity in a legacy is tax free and reduces the value of your estate ahead of applying IHT.

If you leave, say, 10% of your chargeable estate to a charity, this can bring your IHT liability down from 40% to 36%.

So, if you're likely to exceed the threshold where IHT is charged on your estate, you could consider leaving your charitable legacy in percentage terms. There are also other ways you can support charities tax-efficiently, such as gifting shares or creating a charitable trust. Ask your Shipleys contact for more information.

## Let's get married

Unmarried couples have distinct tax disadvantages both for IHT and other taxes when transferring

assets. It was good to hear of the decision this March to extend the right to civil partnerships to mixed-sex couples.

Like their married peers, opposite-sex civil partners will be able to inherit their partners' assets free of IHT, and have automatic rights in certain circumstances – including to their pension. And, again, like married couples, they will be able to inherit their partners' unused IHT allowances on their death.

Further legislation and clarification for mixed-sex civil partnership rights is expected by the end of the year. For the latest updates visit [www.equalcivilpartnerships.org.uk](http://www.equalcivilpartnerships.org.uk)

## Celebrate!

Finally, I'd like to pass on my best wishes to Terry Bourne, who became a Shipleys Principal in May. Terry helps clients ranging from owner-managed businesses to larger groups and AIM-listed PLCs with their accounting, audit and tax needs. It's good to know that the legacy of Mr Shipley and Mr Blackburn (our founders) continues.

Enjoy the read.

# Getting to grips with probate

*A step-by-step guide to what has to happen, legally and financially, when someone dies.*



Through our subsidiary Shipleys Probate Services Limited we have now been accredited by the Institute of Chartered Accountants in England and Wales (ICAEW) to conduct probate.

For those unfamiliar with the term, probate describes the legal and financial aspects of dealing with the property, money and possessions of someone who has died – it relates to applying for a Grant of Probate and administering the estate.

Much of this could be done by anyone, but a very specific part of it, applying for the Grant of Probate or Letters of Administration, were traditionally reserved legal activities – a service which could only be provided by solicitors and banks. However, following a review, the ICAEW became a new, approved regulator.

Now Shipleys has received its accreditation from the ICAEW, we will be able to deal with all non-contentious aspects of probate in England and Wales, including the application itself.

Our probate team will be led by Shipleys partners Steve Foster, Mike Luckett and David Hartles.

If you haven't been through the probate process before, or you need a quick reminder, here are some of the key things to bear in mind.

Probate ensures that relevant taxes are paid, that the deceased's assets are collected in, and their debts paid, and, if a will has been made, that the deceased's remaining assets are distributed to the beneficiaries in accordance with his or her wishes. If there is no will, the estate is distributed under the laws of intestacy.

If the deceased's estate is held jointly with someone else, it passes automatically to the other joint party.

## Personal representatives

The people legally entitled to deal with a deceased's estate are called personal representatives.

If there is a will naming executors, they become the personal representatives. Without a will, the appointed personal representatives (usually the next of kin) will be called administrators.

Personal representatives can take charge of probate themselves or engage suitably qualified professionals, such as Shipleys.

## The will

The first stage of the probate process is to find out if the deceased left a will. If you are liaising with accountants, solicitors, banks or will storage companies, they will need to see a copy of the death certificate and also proof that you are the will's executor before they release any documents.

## Grant of Representation

Applying for a Grant of Representation, which gives the authority to deal with a deceased person's estate, is the next step. You will need to:

- Complete an inheritance tax form – you or a professional valuer need to calculate how much the deceased's estate is worth. This will determine how much tax there may be to pay. If inheritance tax is payable, the form will be sent to HMRC and the tax must be paid before you apply for the grant.
- Complete a probate application form – this can be downloaded from [www.gov.uk/government/collections/probate-forms](http://www.gov.uk/government/collections/probate-forms). A new online service for simple probate applications is also available at <https://tinyurl.com/y4x8cmoj>.
- Send your application to your local probate registry.
- Sign and submit a Statement of Truth, together with the original will, which is kept as a public record.

## Administering the estate

You can now deal with the deceased's assets to clear any debts and pay taxes.

As the personal representative you are liable if you distribute the estate to beneficiaries, but a creditor later claims for an unpaid

debt. To protect yourself, you should give notice to potential creditors by placing an advert in the deceased's local newspaper and in the London Gazette, which is the prescribed place to put official notices to ensure that everyone has a public notice to see. For more information see [www.thegazette.co.uk/about](http://www.thegazette.co.uk/about)

## Preparing estate accounts

Finally, you can distribute the estate as instructed in the will, or according to the law of intestacy if there isn't a will.

All beneficiaries should sign a discharge to confirm receipt of their assets or funds.

Residuary beneficiaries – anyone who is given the remainder of the estate (known as the residue) once all funeral expenses, debts, taxes and other gifts have been paid out – will normally sign the estate accounts to confirm they are happy to accept the amount left to them. Residuary beneficiaries are the only people entitled to receive a copy of the estate accounts.

**If you would like to discuss the probate process or our new probate service, please contact David Hartles at [hartlesd@shipleys.com](mailto:hartlesd@shipleys.com) or your usual Shipleys contact.**



# Don't leave it to chance: wills and Lasting Powers of Attorney

*Mental and physical incapacity can unfortunately happen to anyone at any time. Wills and Lasting Powers of Attorney can ensure things then happen the way YOU want them to.*



## The importance of a will

At its simplest, writing a will is the best way to ensure your assets go to who you want them to. No one knows what's around the corner, so to avoid dying without a will (intestate), it's sensible to make one sooner rather than later. Here are just some of the benefits.

### Non-financial benefits of a will

- Reassurance that your estate will go to the people and causes you care about.
- Avoids costly and damaging disputes – arguments over wills can split families and be expensive to resolve.
- Your spouse, children and other loved ones are provided for.
- Your assets stay within the family.
- Most importantly, for those with young families, you can direct who you would like to become guardians of your minor children.

Remember, dying without a will means that your assets are divided according to the rules of intestacy, which will mean that unmarried partners get nothing (unless you jointly own assets).

### Financial benefits of a will

- Can be used to set up a trust for children within the family.
- Can be used to mitigate inheritance tax (IHT).
- Can save your loved-ones money – intestacy can be costly.
- If you run a business, it can be a key part of your succession plan.

Deeds of variation can enable you to change a person's will after death, which can help to reduce tax liability or provide an opportunity to move the deceased's assets into a trust – but it's always better to get it right first time.

### What is a Lasting Power of Attorney?

Just as a will enables you to control what happens to your

assets after death, a Lasting Power of Attorney (LPA) is a legal document that enables you to control who can make decisions on your behalf if you can't make them for yourself. LPAs are only valid in England and Wales.

You must be over 18 and have mental capacity, ie the ability to make your own decisions, when you make your LPA. There are two different types of LPA: one covers property and financial decisions, while the other focuses on medical and welfare decisions.

The former can be split to deal with personal finances, and to appoint people to deal with your business separately.

### Why you need an LPA

Many people believe LPAs are only for the elderly, however, a period of incapacity can affect anyone at any time. An LPA ensures that your financial affairs and business can continue if a situation arises where you cannot make decisions.

To offer some practical examples – if you had an accident and were in a coma, without an LPA no one would be able to operate your bank account to pay bills. If you were selling your

house, no one would be able to sign any paperwork to complete the transaction. If you were also a business owner, decisions key to your business operations may stall.

### Making an LPA

Making an LPA isn't complicated but it's important to take care that it does exactly what you want it to do. It must also be signed in the correct way and in the right order by all those involved. These rules minimise the chances of any challenge to the LPA at a later date.

**If you want to know more about making a will or LPA, please get in touch.**



**minimum age  
for setting up a  
Lasting Power  
of Attorney**

## Focus on inheritance tax

# How much?!

# IHT bills can come as a nasty shock

Not getting around to inheritance tax (IHT) planning is understandable. Few of us enjoy thinking about our own mortality – and it can seem like a lot of effort.

But when you consider that IHT can potentially gobble up 40% of the assets you're hoping to leave to your loved-ones, it's well worth having a plan in place to reduce your liability.

The huge increase in house prices over the past couple of decades has meant that the value of many people's estates far exceeds the IHT reliefs available, especially in London and the South East. And the reliefs often come with conditions attached, meaning they won't apply in every case and people may be left with larger tax bills than expected.

### Limited exemptions

For some, the much-publicised future scrapping of IHT on £1m homes won't have quite the impact they hoped for. The exemption comes into full effect in the tax year 2020/21 and will only apply to parents or grandparents when they pass on a 'main residence' to their children, step-children or grandchildren.

However, the additional exemption for main residences – the Residence Nil Rate Band (RNRB) – is reduced if an estate is

worth more than £2m, by £1 for every £2 in excess of that amount, eventually reducing the additional relief to nil.

However, with careful planning, the effective IHT rate can be substantially reduced – particularly for larger estates. That's because larger estates tend to comprise other assets besides property that qualify for reliefs. One example is business property relief, which exempts qualifying trading company owners from IHT if they want to leave the business to their children.

### Working out how much IHT you'll pay

IHT is normally payable on death at 40% on the value of your estate in excess of the available nil-rate band. However, there are numerous exemptions and reliefs to consider when calculating the value of your estate.

Transfers to your spouse or civil partner are usually exempt, so if the whole estate is left to a surviving spouse there is no tax to pay.

The nil-rate band on the death of the second spouse is increased to reflect the proportion of nil-rate band unused by the first spouse. This means that double the usual £325,000 nil-rate band may be available – £650,000. Any unused RNRB can similarly be transferred to the surviving spouse.

### Jointly held assets

Where property is owned as joint tenants, the property passes to the surviving joint tenant, but it's still included in the deceased's estate on death for IHT purposes. Holding property in this way doesn't save IHT – it simply determines who gets your share without the need to refer to your will.

### IHT planning

The usual ways in which you can reduce your IHT liability are by giving away assets to reduce what's in your estate or holding assets that are treated favourably for IHT. Leaving at least 10% of your net estate to charity can also reduce IHT to 36% (see Simon Robinson's *Viewpoint* column for more on this).

### Life cover

Most employees will have life cover provided by their employer, typically three times their annual salary. By default, on death the proceeds of the policy are paid into your estate and are therefore potentially subject to IHT. It's normally quite straightforward to have some or all of this paid directly to someone else, so that it never forms part of your estate.

This is likely to be especially appealing if you want to leave significant assets to someone who is not your surviving spouse. For example, the exemption for

transfers between spouses or civil partners doesn't apply to unmarried couples.

### Life cover

It can make sense to take out diminishing term life assurance on the life of the donor. This can be matched to the potential IHT exposure (which reduces because of taper relief).

### Gifts

One of the most common ways to reduce the value of an estate is to give things away while you're still alive.

### Lifetime gifts

These are usually what is known as potentially exempt transfers (PETs). They only become exempt if the donor survives for a further seven years, although taper relief applies to any tax on the gift after three years. This means that no tax will necessarily be saved if a potentially exempt transfer is made within three years of death – as the gift will still be included in the IHT calculation.

But any increase in value of the asset given away after the gift was made will be outside the estate. It's the value of the gift when made which is still included in the estate.

*The amount your estate might have to pay in inheritance tax could come as something of a surprise, so planning ahead is vital.*



Some lifetime transfers (notably to discretionary trusts) are chargeable transfers, and IHT will initially be payable at 20% to the extent they exceed the available nil-rate band. This increases to 40% if the donor dies within seven years.

#### **Potentially exempt transfers (PETs) within seven years of death**

Where a PET is made and the donor dies within seven years, depending on the previous transfers, IHT may be payable by the recipient, or the IHT payable by the estate is increased because the PET uses up some, or all, of the nil-rate band.

#### **Reservation of benefit**

Many people are reluctant to completely give up access to, or control over, their assets. For example, giving away the family home or holiday home but continuing to use it rent-free. This may seem an easy way to sidestep IHT, but in these circumstances, known as reservation of benefit, the asset remains in the donor's estate, so there is no IHT saving.

#### **Exempt gifts**

Some gifts are specifically exempt with no upper limit, including gifts to 'qualifying charities', political parties and national

institutions (such as museums, universities and the National Trust).

Other gifts are exempt within limits – annual gifts out of capital (£3,000), small gifts (£250 per recipient), parental gifts on marriage (£5,000), grandparents' gifts on marriage (£2,500), and other gifts on marriage (£1,000).

#### **Gifts out of surplus income**

This noteworthy but often overlooked exemption enables a donor to maintain their normal standard of living without dipping into their capital. Such gifts can stop the exposure to IHT getting worse.

For example, the IHT saving in relation to a widower with after tax income of £50,000 (perhaps enjoying an old final salary scheme) and annual expenditure of £20,000, who gives away £30,000 per annum, could save IHT of £60,000 after five years (£30,000 x 5 x 40%). There must be a recurring element to the gifts, but the effect of this is often that the total given away can be significant, and there is no upper limit to the exemption, or requirement to live seven years.

#### **Business Property Relief**

The value of assets that qualify for Business Property Relief (BPR) is discounted for IHT purposes by either 100% or 50%, but only

usually once they have been held for two years.

Relief at 100% applies to interests in unincorporated businesses and unquoted shares in most trading companies (AIM-listed shares are treated as unquoted). This relief often applies to shareholdings in family companies, including minority interests.

It's worth noting that BPR can apply to lifetime transfers, not just on death. This means that BPR assets (100% rate) which are given away will keep their IHT relief status, so it doesn't matter whether the donor survives for seven years or has made other gifts. Do note, however, that the shares must still be held and still qualify for BPR should the donor not survive seven years.

BPR can also be used as a way to put larger sums into a trust for your family, as BPR qualifying assets do not suffer the penal 20% IHT charge on larger gifts to trusts.

There are other assets classes which also qualify for IHT relief, but that is beyond the scope of this article. Talk to your Shipleys contact for more information.

#### **Spending 'without stint'**

This might seem an extravagant way to reduce the value of your estate, but is a serious suggestion.

If 40% of what you don't spend ends up in the hands of the taxman this should seriously reduce, or eliminate, any feelings of guilt over expenditure perceived as excessive, if the cost is effectively subject to a 40% discount.

#### **Non-UK domiciliaries**

People domiciled outside the UK are only normally subject to IHT on their UK assets (rather than their worldwide estates for those domiciled in the UK). The inter-spouse exemption is restricted to a cumulative £325,000 on assets a UK domiciliary transfers in lifetime or on death to their non-domiciled spouse. However, the non-domiciled can elect to be treated as UK domiciled so that the inter-spousal exemption applies without limitation, but then their worldwide estate, as opposed to just UK assets, would be subject to IHT.

#### **Future changes**

The Office of Tax Simplification has suggested some major changes to the IHT system, which may come into force in the not too distant future. Clients should therefore take care and seek advice before doing anything in relation to IHT.



## Networking: Turning the discussion to business matters



*Previously in Shipshape we looked at how to get talking to new people at an event. This time, we've shared some tips on turning the conversation towards business matters.*

### What should you talk about?

Usually, their business challenges – and where you may be able to help them. However, you need to build up to this.

### Do I need a script?

No, but you could try the following framework, which can be easily adapted to the person you're talking to.

### Their role

You want to find out about their work. So, your focus is on being interested rather than trying to be interesting. A typical question is "What line of work are you in?" Use the answer as the building block for your next question, which might be "How did you get into that?" Talking like this will put them at ease.

### About their business

This stage is all about finding out about their role in the context of the business and, indirectly, whether you might become a supplier. Good starting points are questions around size, location and history. Move on to ask about their customers – a question that often works well is "What does your ideal customer look like – just in case I can refer someone to you!"

### Business challenges

At this stage you're trying to find out about their problems or challenges – and where you might be able to help.

One of THE best questions here is "How's business?" If used at this point – and not at the start of your chat – you're likely to get a considered and possibly revealing answer.

Other questions that can work well at this point are: "So, what's on your agenda at the moment?" and "What's likely to happen to the industry in the next few years?"

### Your competition

Your next goal is to explore their relationship with whoever they use for what you do.

Your questions should cover who they use, how long they've been using them, what they're like, what they do well and any gaps in their service. Your interest of course is because you are in the same space, and it's always nice to find out the client's perspective, and what and how the competition is doing.

### Permission to talk further

Finally, exchange business cards with the understanding that you'll be in touch over the issues you've discussed. The next step depends on the circumstances, but might be to call to arrange a meeting, to introduce or be introduced to someone else, or to share something that might help them with their challenge.

**Enjoy yourself and be successful!**

## Here's how you can avoid the person you're talking to feeling that you're interrogating them:

1

Preface your question to soften its impact – for example "so", "really", "interesting" or "tell me". Or precede them with a statement – "Well no job is perfect, but if you could change one thing in yours what would it be?"

2

Avoid specifics – ask about customers generally, not who they are. Enquire about the challenges facing the sector, not necessarily their company.

### Spurious messages 'from HMRC'

Criminals continue to 'phish' for financial information by using email, text messages, phone calls and social media purporting to come from HMRC. More on this, with examples, at <https://tinyurl.com/yxbnl4r3>

### Capital gains tax exemption on sale of main residence

HMRC has produced draft legislation on changes to main residence relief from 6 April 2020 for inclusion in the 2019/20 Finance Bill. It proposes that the final 18-month disregarded period be reduced to nine months, that lettings relief be available only where the owner remains in occupation, and clarifies the ownership period where a property is transferred between spouses.

### Stamp duty land tax deadlines

From 1 March 2019, a completed stamp duty land tax (SDLT) return must be submitted within 14 days of completion, even if no tax is due, and any tax paid within 14 days of the sale.

### Employee payslips

As part of the government's Good Work plan – see [www.gov.uk/government/publications/good-work-plan](http://www.gov.uk/government/publications/good-work-plan) – payslips for employees, including casual and zero-hours workers, now have to include the number of hours worked, making it easier for workers to check they are being paid the correct amount. This applies only for employees whose pay varies based on the time worked.

### NI contributions – employees of pensionable age

Class 1 NI contributions aren't due from employees who are of pensionable age (although employers' contributions continue). The gradual equalisation of pensionable age means that it is now at least 65 for both men and women born after 5 December 1953, and gradually increases to 66 for anyone born after 5 October 1954.

### CGT for non-residents from 6 April 2019

Non-residents have to report, and pay any tax due on, direct and certain 'indirect' disposals of UK land within 30 days of completion.

### CGT for UK residents from 6 April 2020

Capital gains tax chargeable on disposals of UK residential property after 5 April 2020 will be payable 30 days after completion.

For further details on all of the above, and more, go to [www.shipleys.com/resources](http://www.shipleys.com/resources)





## Brexit preparations

*With a no-deal Brexit apparently becoming more likely, here's an update on business practicalities worth considering sooner rather than later.*

### Registering for Transitional Simplified Procedures

In preparation for no deal, UK businesses importing goods from the EU should register for Transitional Simplified Procedures (TSP) now. This will avoid the need to complete new customs declarations at the point of import. It also means UK businesses can defer paying import duties for 12 months. Failure to register might mean goods are held until import duties are paid upfront. You can register at [www.gov.uk/guidance/register-for-simplified-import-procedures-if-the-uk-leaves-the-eu-without-a-deal](http://www.gov.uk/guidance/register-for-simplified-import-procedures-if-the-uk-leaves-the-eu-without-a-deal)

### Authorised Economic Operator certificates

It's possible that certain imports and exports with Authorised Economic Operator (AEO) certificates might not be recognised in the EU if there is no deal. This means that EU ports and airports might not grant them preferential treatment. However, on balance, it's still better to have an AEO number than not. Processing of AEO status can take up to four months, so apply now at [www.gov.uk/guidance/authorised-economic-operator-certification#apply-online](http://www.gov.uk/guidance/authorised-economic-operator-certification#apply-online)

### Economic Operator and Identification number

As explained in our spring edition, a no-deal Brexit means intra-EU movement of goods will need to be declared to HMRC. A Economic Operator and Identification (EORI) number will help ensure your business pays the right amount of duty. This is a simple procedure so do it now rather than waiting on the Brexit negotiations at [www.gov.uk/guidance/get-a-uk-eori-number-to-trade-within-the-eu](http://www.gov.uk/guidance/get-a-uk-eori-number-to-trade-within-the-eu)

## VAT corner



## Construction industry – new VAT accounting arrangements



**Any business involved with either supplying or receiving construction services needs to be aware of the VAT reverse charge arrangements that will apply from 1 October 2019. Suppliers will no longer charge VAT on affected supplies. Instead customers will account for the VAT as on a supply to themselves.**

The main aspects of the legislation are summarised here. Further details are available on our website at [www.shipleys.com/resources/current-issues](http://www.shipleys.com/resources/current-issues)

### Who is affected?

- Any business registered for both VAT and the Construction Industry Scheme (CIS) that is supplying construction services subject to VAT at either 5% or 20%.
- Any business receiving construction services.

### Impact on suppliers

Suppliers must ensure that their agreements with customers take account of the changes to the VAT legislation. They will also need to ensure that their accounting systems can cope with the new arrangements.

It will also be necessary to verify the status of the customer to find out whether or not they are an 'end user', as VAT will be charged to those customers as normal.

If the customer is not an 'end user' the supplier does not charge VAT but must modify its invoice to make it clear that the customer must account for the VAT. Invoices must state "domestic reverse charge applies – customer to account for £xxx.xx of VAT to HMRC".

So, although the VAT column of the invoice must not show a VAT amount, it will still be necessary to work out how much VAT applies so that the customer can include that amount in their VAT records.

### Impact on customers

Businesses receiving construction services must confirm their status to their supplier. HMRC suggests that the following declaration will suffice: "We are an end user for the purposes of section 55A VAT Act 1994 reverse charge for building and construction services. Please issue us with a normal VAT invoice, with VAT charged at the appropriate rate. We will not account for the reverse charge."

An 'end user' business is one that is not making an onward supply of construction services.

Businesses that are not 'end users' will need to ensure that their accounting systems are able to account for the reverse charge.

### Services subject to the reverse charge

The definition of construction services is derived from the CIS legislation. However, the VAT reverse charge applies to both services and any materials supplied with those services.

### How to report on VAT returns

A business supplying reverse charge services issues modified invoices with no VAT shown in the VAT column, so the only entry on their VAT returns will be to record the sales value in Box 6.

A business receiving reverse charge services will enter the value of the purchase in Box 7 of the VAT return as normal. In addition, VAT at the appropriate rate must be 'paid' to HMRC by inclusion in Box 1 of the VAT return and claimed back by inclusion in Box 4. The amount that can be claimed will depend on the normal VAT recovery position of the business.

### Penalties

HMRC has confirmed that it will be applying a 'light touch' approach to penalties for the first six months, but thereafter will be reverting to its normal approach.

# A rising Tide of excitement for the future



**Luke Jeffrey, CEO of Crimson Tide, talks about running an AIM-listed company and how excited he is about its future.**



**"Being a trusted supplier to clients who keep on renewing their contracts is a success in itself."**

Listed on the Alternative Investment Market (AIM) of the London Stock Exchange since 2006, Crimson Tide is the company behind mpro5 – a cloud-based workflow management system that operates on mobile devices like smartphones or tablets.

Chief Executive Officer Luke Jeffrey says: "mpro5 is the latest version of the mpro business solution we first launched in 2004. It enables organisations to transform their business and strengthen their workforce by smart mobile working. It's a full mobility service hosted in the cloud and is used in over 260,000 sites in facilities management, healthcare, transportation and logistics."

Luke started his career at Tunbridge Wells-based Crimson Tide, joining straight after leaving university as a database developer and support technician almost 13 years ago. He was later promoted to head of development, then technical director, before becoming CEO in March 2018.

#### **Relishing the challenge**

He says: "On any given day I can be involved in anything from corporate strategy discussions to technical innovation meetings, and even helping with advising on hotfixes and patches.

"I enjoy seeing our product making a difference to our subscriber base and relish the challenge of driving the mpro5 platform forward to ensure we are best of breed."

Looking back, he says listing on AIM in 2006 was a major highlight in the company's story, as was the 2012 release of mpro5 on the Android and iOS platforms. More recently, biometric time and attendance modules have been added to the app, which means employees can use it to start their shifts through fingerprint scanning or facial recognition.

But he adds: "Being a trusted supplier to clients who keep on renewing their contracts is a success in itself."

#### **Team at the heart of success**

With Crimson Tide now employing close to 40 people across multiple countries, Luke says one of his biggest personal challenges has been "learning to be less involved in projects, trusting my team, and finding the right people to recruit".

He continues: "I'm incredibly proud of our team – they're what make the mpro5 service what it is today. They're collaborative, open and hard-working. Finding new additions to this team with the right attitude, skillset and work ethic is difficult, but it's

something I've been working hard to achieve."

Listing on AIM was a big step for Crimson Tide and one that brought new requirements. Luke explains: "As we're a listed company, we need auditors with the technical expertise and ability to respond to tight deadlines. That's where Shipleys comes in. Joe Kinton and his team keep us on our toes and are very professional in everything they do."

#### **Excited about the future**

Of the future, Luke admits he's "incredibly excited" about the brand-new 5Things Internet of Things (IoT) module the company has recently developed. "The module allows sensors to integrate with the workflow application, and allows users to schedule jobs or alerts based on events measured by those sensors."

"We've seen great interest in CO2 and humidity sensors in office environments. There is compelling research that shows how productivity drops once CO2 levels breach certain standards. In our own office we've experienced a measurable increase in productivity since this has been actively managed."

[www.crimsontide.co.uk](http://www.crimsontide.co.uk)

### Promotions

Congratulations to Terry Bourne, who was made a principal in May. Terry helps clients ranging from owner-managed businesses to larger groups and AIM-listed PLCs with their accounting, audit and tax needs.



Terry trained and qualified with Kingston Smith in Romford in 2002, moving to their West End office in 2007. Four years later he was appointed as financial controller of an AIM-listed manufacturing business, and gained some valuable commercial experience before joining Shipleys in 2015.

Congratulations also to Dean Hardy and Gurvir Cheema, who have both been made directors. Dean advises on personal tax matters, looking after a wide selection of private clients, from company directors and high net worth individuals to sole traders, non-UK domiciliaries and estates. Dean joined Shipleys in 2008 and is based in Godalming.

Gurvur joined the Shipleys audit department through our graduate programme. Initially working for a diverse group of clients, he began specialising in the film, media and entertainment sector in 2015.



**shipleys** LLP  
Alumni

**Moderniser Guy now working to help Community Wholecare**

## AI in Godalming



Artificial intelligence (AI) and machine learning were the issues discussed at a recent breakfast event hosted by the Shipleys Godalming office for the local business community.

Our monthly breakfast meetings aim to provide insight into new ways of looking at things or a tool to help you with

your business – one that you can use and benefit from straight away.

If this is something you're interested in reading more about – please look at our meeting summary here: [www.shipleys.com/business-club/past-meetings/artificial-intelligence](http://www.shipleys.com/business-club/past-meetings/artificial-intelligence)

After joining Shipleys as a principal in 1979, Guy Fisher developed specialist expertise in the financial services industry, and established our financial services team.

Guy also had two spells amounting to nine years as our managing principal. His major achievements in this role centred on the modernisation of the firm. He moved the London office from Regent Street to a modern, open-plan base in Orange Street, and he was instrumental in introducing new IT systems including Citrix, which completely changed the way we worked.

Since retiring in 2012, Guy has taken on some directorships, which he enjoys, but his passion is his

directorship of Blueland Group, which builds surgeries for NHS GPs in London. Blueland delivers purpose-built medical centres on land adjoining parish churches and within large retail sites.

Blueland has founded a separate charity, Community Wholecare Centres, to provide residents with spiritual, health and social care at a single location – an approach known as 'social prescribing'. This strategy aims to treat people in a more holistic way by looking at diet, exercise and social activities to help improve quality of life and health. Guy feels that this initiative is vital to giving the NHS and GP practices the tools to look after

communities in the future.

Guy has also spent the last five years improving his French at the Institut Francais – he's now classed as an expert, but still feels he has more to learn! He enjoys travelling – visiting France regularly to practise his language skills – and recently returned from a trip to Trieste, Italy. Later this year, he and his wife are taking an epic train journey from Chicago to San Francisco in the USA.



## AGN member focus



## Daamen & van Sluis, Netherlands

AGN member Daamen & van Sluis operates in Rotterdam, Amsterdam and the central region of the Netherlands, providing tax, accounting and auditing services to its clients.

The company prides itself on being direct and open with clients, and making its services as easy to access as possible.

The Netherlands economy is performing well in 2019, a strength underlined by news that unemployment is at its lowest point for 15 years. Continuing uncertainty around Brexit has put the Netherlands in the spotlight as international companies look to the country as a possible location for their European operations. Daamen & van Sluis is able to help companies consider that option and provide assistance in setting up in the Netherlands.





# Preparing for the inevitable

7 steps to passing on your estate to your loved-ones



*In this issue of Shipshape we've tried to cover all the bases on making financial arrangements for your loved-ones when the inevitable happens.*

*There's a lot to consider and it can feel a bit daunting, so we've broken it down into the following steps.*



## Step 1: Get your financial affairs in order

The first step to be clear about is what you've got to pass on. You'll need a list of your assets like shares and property, and liabilities such as an outstanding mortgage – although the latter may be covered by life insurance when you die.

To help with this, we've put together a personal affairs checklist, which also covers things like details of your financial advisers and where you keep your will. You can find it on our website at [www.shippleys.com/resources/useful-tools](http://www.shippleys.com/resources/useful-tools)



## Step 2: Work out your potential IHT exposure

IHT is normally payable on death at 40% on the value of your estate in excess of the available nil-rate band. It can also be payable during a person's lifetime on certain gifts.

The tax payable depends on the value of your estate, who you leave it to and gifts that may have already been made.

See page 4



## Step 3: Put a plan in place to reduce your IHT liability

The main strategies to help keep as much of your estate as possible away from the taxman are reducing the value of your estate by giving away some of your assets, making sure you hold assets that are treated more favourably for IHT, or leaving some of your estate to charity.

See page 4



## Step 4: Decide where you want your money to go and update your will

Making a will is the best way to ensure that your assets end up with those you want to inherit them – and there may be options to minimise the taxman's share. If you haven't made a will yet, don't put it off, and remember you may need to update your will from time to time as your circumstances change.

See page 3



## Step 5: Consider arranging a Lasting Power of Attorney (LPA)

An LPA sets out who can make decisions on your behalf if you're unable to at some point in the future, for example, due to ill health or mental incapacity. Arranging an LPA gives you peace of mind that your affairs will be looked after properly and can make things easier for your family and friends to deal with if the worst happens.

See page 3



## Step 6: Understand what's involved in administering your estate

It's useful to understand the ins and outs of probate – the process that ensures the right taxes are paid and your estate is distributed in the way you intended, as set out in your will, as quickly and painlessly as possible and without incurring unnecessary costs.

See page 2



## Step 7: Think about your digital legacy

It's not just physical assets that you may want to consider but digital effects too. In an increasingly digital world, the music or books you buy and download online are actually licences giving you access to them, but no one inherits these when you pass on. So it's important to consider who should have access to these services and to your social media accounts when you pass away, as well as to your online banking details.