

# What's next?



**Picturing a post-lockdown world**

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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 Charlotte Westwood at our Godalming office.

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Temporary nil-rate threshold for Stamp Duty Land Tax



Job Retention Bonus for businesses for each furloughed employee



Temporary VAT rate for leisure and hospitality businesses

£1 million new lifetime limit for Entrepreneurs' Relief



Suspension of wrongful trading rules until **30 September**



# The long and winding road

*I trust all is well and you are finding your way through this 'new normal' way of life. So much has happened since my last Shipshape introduction and at times it seems there is still a mighty long road ahead of us. Conflicting government messages and a painfully slow easement of lockdown measures present continued challenges in getting the economy back on its feet.*

Not all the lockdown ramifications have been negative, though. As well as the global benefit of fewer business miles, it's been inspiring to see a greater sense of community spirit and purpose. It's also enabled businesses to rethink and show some agility (see the examples on page 6), while giving individuals a better work-life balance.

The eyewatering volume of grants, loans and other schemes the government rapidly introduced to help weather the storm has been impressive, though some will feel they have missed out. The sizeable and sudden injection from Treasury coffers will of course need to be repaid at some point, but it's important to make the most of the support available.

#### **Keep on running**

A number of organisations we've spoken to have been surprised by the rapid progress lockdown forced them to make. Employees' adaption to homeworking has been widely praised in many sectors, with presenteeism making way for greater trust in people to get the job done in the new and more flexible working day.

Technology projects previously 'stuck' or stalled on corporate agendas were rapidly prioritised and ticked off. The success of implementing change quickly has helped organisations of all sizes to make sizeable advances – months and sometimes years ahead of schedule.

On a personal note, I've been impressed by the efficiency and collaborative spirit of the Shipleys team in adapting to the new working conditions. For now, we continue to work remotely but are very accessible via phone, online using meeting software such as MS Teams, Zoom and Skype and, of course, email.

#### **When will I see you again?**

A good case in point was the recent revival of our Godalming Business Club via Zoom. It was good to catch up with everyone and discuss some of the positives of the lockdown. The only thing that Zoom can't do unfortunately is provide the bacon butties! You can find a summary of the discussion at <https://tinyurl.com/y4q4ldtf>. We'll be running another virtual session in September. To sign up, please email Charlotte at [fellowsc@shipleys.com](mailto:fellowsc@shipleys.com).

Our offices remain closed at the moment but, provided there are no issues in the meantime, we're hoping for a phased re-opening in the autumn. It would be great to return to proper meetings but our key consideration must be the safety of our staff, clients and contacts so we'll have to stay virtual for now.

#### **With a little help from my friends**

For one of our key sectors, the recently announced £500 million Film and TV Production Restart Scheme from the government was definitely welcome news. This is a fund that guarantees to underwrite additional costs

caused by Covid-19, which are unrecoverable from insurance.

It's clear, however, that many businesses will need continued help if the economy is to bounce back quickly. Some of the government measures – see pages 2-3 – deferred rather than removed tax obligations, and financing that bigger bill later on will require careful planning by businesses and individuals.

It remains a difficult financial time for many people. On pages 4-5 we've given an overview of the latest developments and their implications for our private clients – a recent example being the Chancellor's reduction in stamp duty to boost property sales.

#### **We can work it out**

The economic outlook is challenging and difficult times still lie ahead. Throughout Shipleys' 84-year history the firm has seen many highs and lows in the economy but has remained resolute in our passion to help clients thrive.

Developments are continuing at a pace and we'll continue monitoring and reporting them on our website at <https://tinyurl.com/y2a8cht2> so you can access timely advice. For our charity clients, you'll also find our latest charity update there at <https://tinyurl.com/y2r4u6nk>.

Our team's experience and expertise are here to support you – together we'll get through this.

I hope you find this *Shipshape* helpful.

# Summer Statement measures aim to reboot the economy



## **Chancellor Rishi Sunak's Summer Statement contained a series of measures aimed at giving hope to businesses and rebuilding the economy.**

Much of the Chancellor's Statement in July focused on job protection and creation, while also looking to bolster sectors hit hardest by the pandemic. Key measures included:

**A £1,000 Coronavirus Job Retention Bonus to be introduced when the Job Retention Scheme ends.**

**A new Kickstart Scheme to cover employers' costs for new six-month work placements for trainees aged 16-24.**

**A £1,000 payment to be made to employers for each 16 to 24-year-old on work placement and training.**

**Payments of up to £2,000 for employers who hire new apprentices.**

**A temporary cut in Stamp Duty Land Tax on residential property, increasing the zero-rate band to £500,000.**

**A temporary cut in VAT from 20% to 5% for restaurant, food, accommodation and attraction businesses.**

**The 'Eat Out to Help Out' Scheme offering 50% meal discounts during August.**

Our full summary of the Summer Statement is available at: <https://tinyurl.com/y85f7skt>

## More flexibility for struggling businesses



Fast-tracked into law earlier this summer, the Corporate Insolvency and Governance Act aims to give businesses the flexibility to continue trading in the pandemic-weakened economy.

### The key reforms are:

- More time for qualifying companies to formulate a rescue or restructuring plan through a court-approved moratorium. In most cases, no insolvency proceedings can be instigated against a business during this period.
- A new court-sanctioned restructuring plan that is binding for creditors.
- Temporary suspension of wrongful trading rules until 30 September 2020 (effective retrospectively from 1 March 2020) so directors can trade during the pandemic without incurring liability if the business becomes insolvent.
- Temporary prohibition, with some exceptions, of winding up petitions on the basis of an unsatisfied statutory demand served between 27 April 2020 and 30 September 2020.
- More time for businesses to file accounts.
- Relaxed conditions relating to Annual General Meetings.

More at: <https://tinyurl.com/y93agj4j>



## Changes to Coronavirus Job Retention Scheme

**Government grants to pay furloughed workers are being phased out, and a one-off bonus payment introduced.**

The Coronavirus Job Retention Scheme (CJRS) has helped many businesses retain staff during the pandemic by covering 80% of wages for furloughed employees.

However, a phased reduction in the level of grant began in August and by October the grant will reduce to 60% of wages before being wound up at the end of that month.

The Chancellor has also announced that a new Job Retention Bonus (JRB) will provide a one-off payment of £1,000 to UK employers for every previously furloughed employee who remains continuously employed through to the end of January 2021.

For more information: <https://tinyurl.com/y8hta565>

# CoVid-19 AT

**The most high-profile change to VAT has been the cut to 5% on restaurant food, accommodation and attractions in a bid to boost the leisure and hospitality economy. This temporary measure will end in January 2021.**

**Other important changes include:**

The VAT deferral period has now ended and businesses need to make sure they pay the next quarter's VAT by bank transfer or set up a direct debit again. Businesses that intended to defer VAT payments but failed to cancel their direct debit in time, can still claim a refund by submitting a direct debit indemnity claim to their bank. Alternatively, use HMRC's coronavirus helpline.

More at:

<https://tinyurl.com/vga4otc>

The VAT Payments on Account Scheme works on an estimation of historic figures. Given the pandemic, businesses may find their true liability has currently reduced. The options to address this are asking HMRC for a reduction in the payments, asking to be removed from the scheme, moving to monthly VAT returns or paying the true monthly VAT liability.

More detail at:

<https://tinyurl.com/y9qxv9x5>

The 30-day deadline for notifying HMRC of a decision to opt to tax (OTT) commercial land and buildings has been extended to 90 days. More detail:

<https://tinyurl.com/y8a9dq68>

The temporary zero-rating of supplies of personal protective equipment has been extended and will now cover the period 1 May to 31 October 2020. More detail:

<https://tinyurl.com/ycyhbepx>



If your business needs help to meet Coronavirus-related challenges, the special loans introduced by the government are still available but are closing this autumn – the first being CBILS on 30 September:

- **Coronavirus Business Interruption Loan Scheme (CBILS) – loans of up to £5m for SMEs**
- **Coronavirus Large Business Interruption Loan Scheme (CLBILS) – loans of up to £200m for larger companies**
- **Business Bounce Back Loan Scheme – loans of up to £50,000 for SMEs**
- **Future Fund – loans of £125,000 to £5m from the government and private investors.**

In addition, as lockdown eases, the lending market is reopening. Venture capital, property-backed lending, asset finance, invoice finance, merchant cash advance on credit card transactions and working capital loans are all available as alternative funding approaches.

We have been helping many businesses put in place the finance they need to survive and grow. As a part of this, we are partnering with Capitalise – a business funding platform designed specifically to assist SMEs. If you would like to discuss your options, please get in touch.



**For many employers the pandemic has brought unexpected expenses in equipping employees to work from home and, more recently, in making workplaces Covid-19 secure.**

Some aspects of homeworking are treated as benefits in kind that are subject to income tax and class 1a national insurance. HMRC has clarified how to treat Coronavirus-related benefits and these guidelines will apply to the 5 April 2021 P11D submission.

A full list of taxable Covid-19 benefits and other guidance is available at: <https://tinyurl.com/y6ofa2up>

Businesses may also wish to consider other ways to help with the costs of making the workplace Covid-19 secure, such as utilising the Annual Investment Allowance for equipment purchases, capital allowances for property improvements, the 0% VAT rate on Personal Protective Equipment and tax deductible Covid-19 cleaning costs.

More at: <https://tinyurl.com/y6ghn7jo>



**The Self-Employed Income Support Scheme has been extended and those eligible can make a claim for a final grant from 17 August 2020.** Qualifying self-employed individuals or members of a partnership can claim even if they didn't make a claim for the first grant.

The second grant, which is subject to income tax and National Insurance contributions but doesn't need to be repaid, will be worth 70% of average monthly trading profits, paid out in a single instalment covering a further three months' worth of profits, and capped at £6,570 in total. There's more detail on the gov.uk website at:

<https://tinyurl.com/wmdr3q3>



## Pandemic may affect your residency status for tax

***As countries responded to the coronavirus pandemic and imposed travel restrictions, some people were 'stuck' in the UK and unable to return home.***

Under normal circumstances, spending extra days in the UK could breach UK tax residency rules and bring a liability to pay UK tax as well as additional reporting requirements.

### **HMRC has confirmed that, because of Covid-19, there will be exemption if an individual:**

- was quarantined or advised by a health professional or public health guidance to self-isolate in the UK as a result of the virus
- was advised by the government not to travel from the UK as a result of the virus
- was unable to leave the UK as a result of the closure of international borders
- was asked by their employer to return to the UK temporarily as a result of the virus.

However, the current rules only allow for 60 days to be disregarded – this is potentially inadequate for some individuals given how long a ban on overseas travel was maintained.

The Chancellor has confirmed that time spent in the UK between 1 March 2020 and 1 June 2020 working on COVID-19-related activities will not count towards the residence test, and further guidance may be issued by HMRC.

In the meantime, non-UK resident individuals who remain in the UK may want to get in touch for advice on the latest position. More at: <https://tinyurl.com/y54nnjhl>



## New cross-border tax avoidance rules now in force

**New regulations designed to enable EU tax authorities to share information about cross-border arrangements came into force on 1 July 2020.**

Commonly known as DAC 6, the rules require taxpayers and intermediaries to report to HMRC details of arrangements that could be used to evade or avoid tax within 30 days of being initiated. An intermediary is anyone involved in the implementation of a reportable cross-border arrangement. The reports will be shared by HMRC with other tax authorities.

The first reporting deadlines have been deferred by six months because of the disruptive impact of Covid-19. However, banks – viewed as intermediaries because of the client services they provide – are already writing to their customers about DAC 6.

Compliance with DAC 6 will still be necessary after the UK's exit from the EU. For information about penalties for non-compliance, see <https://tinyurl.com/yxwm63yg>



## Remember to budget for delayed tax payments

As most readers will be aware, the second self-assessment payment on account for the 2019/20 tax year would normally have been due on 31 July 2020, but due to the pandemic there is an automatic option to defer to 31 January 2021.

If you chose not to pay that instalment at the end of July, it will mean a bumper tax payment due in January 2021, made up of the July 2020 instalment, any balancing payment for the 2019/20 tax year, plus the first payment on account towards the 2020/21 tax year.

Some people are choosing to pay now in any case to keep payments on their 'normal' cycle, but if you choose not to, do please consider how you will fund the delayed payment in January and budget accordingly.



## Lifetime limit cut for Entrepreneurs' Relief

**A significant cut in the Entrepreneurs' Relief (ER) lifetime threshold was one of the changes announced in the Budget earlier this year.**

Within certain conditions, ER reduces the amount of capital gains tax (CGT) to be paid when a sole trader or partner sells all or part of a business, or when a director/employee shareholder sells shares.

However, the lifetime limit on gains eligible for ER, which offers a 10% rate of CGT instead of the usual 20% for higher-rate taxpayers, has been cut from £10 million to £1 million.

The new measure, which applies to all disposals on or after 11 March 2020, also includes an additional rule to stop forestalling. This is arranging disposals to take advantage of the pre-Budget ER lifetime limit. In addition, ER has also been renamed Business Asset Disposal Relief.



## Stamp duties reduced

A slowdown in house sales and falling prices prompted Chancellor Rishi Sunak to announce a temporary cut to Stamp Duty Land Tax (SDLT) on residential property in his Summer Statement.

Until 31 March 2021, there will be no SDLT in England and Northern Ireland on the first £500,000 of property value, creating a maximum saving of £15,000. However, the 3% additional rate will still apply to additional properties.

Scotland has announced an increase in its nil-rate band for Land and Buildings Transaction Tax for residential property to £250,000, and Wales has decided on the same figure for its Land Transaction Tax nil-rate threshold.

More at: <https://tinyurl.com/y85f7syt>

## New threshold for tapered pension allowance

The maximum annual allowance for pension contributions tapers down for higher earners. In previous years, this tapering started when a person had adjusted income over £150,000 and the normal £40,000 allowance limit tapered down to £10,000. From the current tax year, 2020-21, the starting point for tapering will be adjusted income of over £240,000 and the tapering reduces the allowance from £40,000 down to a lower £4,000 minimum.

Making contributions in excess of the allowance creates a tax charge, and many in defined benefit pension schemes have found that a modest increase in their pay can result in a tax liability that is sometimes greater than the pay increase. The change will reduce this problem only slightly. Even an annual allowance of £40,000 is not enough to shelter those on quite modest pay levels from extra tax on a bonus or pay increase.



## New trust register rules

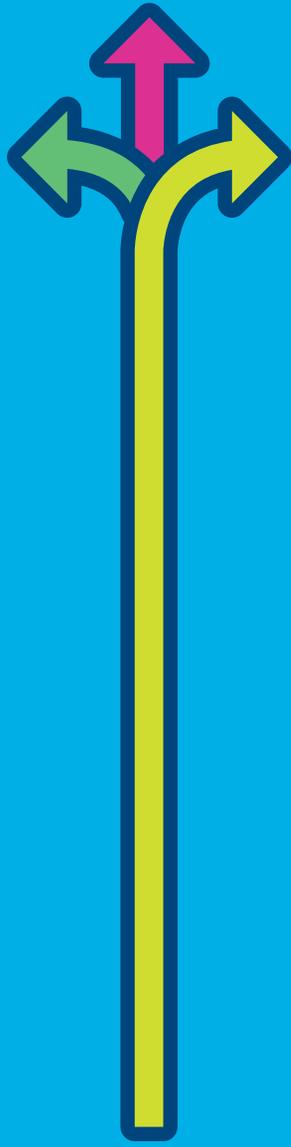
When HMRC introduced the trust register in 2017, trustees were only able to register the initial details of a trust, but not any subsequent changes. All HMRC asked for was notice of a change of lead trustee in writing.

HMRC has now, finally, introduced an online system to inform it of any changes required. Trustees can log in with their own Government Gateway ID and make changes themselves or through their tax agent.

We are happy to make any changes that are required (the trust tax return asks for confirmation of the register being up to date via a tick box before it is submitted), and we will be contacting trustees regarding this in the near future.

A further change to the money laundering regulations will force more trusts to register, and existing trusts to register more details, but these are not yet in force. We will be in touch once final details are known.

# Agility is key to businesses meeting Covid-19 challenges



**Adapting to changing customer needs is an important part of how businesses have successfully responded during the pandemic. Here's how two of Shipleys' clients did just that.**



## Uniquefruit

Family-run greengrocery business Uniquefruit quickly adjusted its business model when Covid-19 lockdown measures disrupted its normal trading channels.

Over the past 30 years the Findlay family has built up a successful operation spanning a market presence in Guildford town centre and weekly markets on university campuses across London and the south of England. However, markets were among the thousands of retail outlets closed to help stop the spread of Covid-19.

Undaunted, Uniquefruit established an e-commerce addition to its website and began home deliveries across Guildford and the surrounding villages. This meant customers could order fresh fruit and vegetables throughout lockdown, with produce delivered within 48 hours.

### Popular with customers

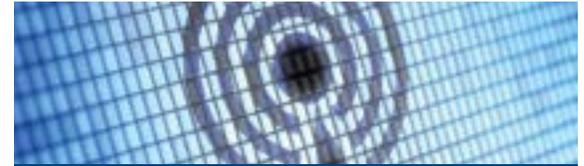
This new service proved popular with Uniquefruit's customers – many taking time out to post favourable reviews and comments on social media. As a result, the business expanded by recruiting delivery drivers.

With markets now reopened, the business has adapted again to be Covid-19 secure in its stall's layout and is also maintaining the online delivery operation.

David Findlay says: ***"We wanted to offer a bespoke service so our customers could choose exactly what they wanted. Our main focus was to look after our existing customers who needed help, to offer a professional order and delivery service and to provide top-quality fruit and vegetables. It's been a bonus that we have found and impressed new customers on the way."***

Going forward, David believes its e-commerce capability gives Uniquefruit the opportunity to expand its delivery radius, and change and adapt, if needed.

<https://uniquefruit.online>



## Panorama Antennas

Panorama Antennas – a leading designer and manufacturer of antennas for radio communication – changed its business model to meet a surge in demand and comply with emerging safety guidelines during the pandemic.

Operating in the UK and internationally, the family business supports sectors including emergency services, education, and energy and utilities – but the pandemic brought new applications for its products.

In the US, Panorama Antennas set up free Wi-Fi capabilities on school buses, which were parked in some neighbourhoods to allow disadvantaged schoolchildren to access virtual learning. In the UK, the company helped provide 4G antennas to the Nightingale hospitals so patients could keep in touch with their families via free Wi-Fi.

### Covid-secure approach

Panorama Antennas had to work quickly to adapt its operations in order to supply these solutions. Its London office team worked from home, while the factory and distribution centre introduced sanitising, social distancing and changed rotas to keep employees safe. The company also applied its Covid-secure approach to its overseas sites to comply with local regulations.

Panorama Antennas Director Christopher Jesman says earlier preparation for Brexit and potential changes in international trade tariffs helped the business recognise the need to be agile to cope with uncertainty. ***"We had invested in a big IT networking programme which, when the pandemic unfolded at different times globally, greatly helped our global teams remain connected and work seamlessly."***

<http://panorama-antennas.com>