Summer 2021

Financial and business intelligence

SHIPSHAPE

Do we have lift off?

Looking ahead as the economy starts to get back on course

shipleys LLP

Also in this issue:

Contents:

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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Shipleys is a Member of AGN International, a global association of separate and independent accounting and advisory businesses.

More detailed information on tax changes is available on our website at www.shipleys.com

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

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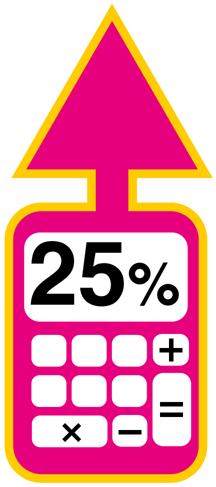

25% – rate of corporation tax from April 2023

Delayed date for introduction of full EU import border controls

Number of days in a year that furnished holiday accommodation must be let to be treated as a business for tax purposes

£2k

£2,000 – available for training or professional advice from SME Brexit Support Fund

Furlough scheme extended to 30 September 2021

New first-year capital allowance for qualifying plant and machinery

Viewpoint: Simon Robinson
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Little by little

It's so good to see more positive signs blossoming as the UK tentatively emerges from lockdown.

With the vaccination programme's continued roll-out and the Government's roadmap for easing restrictions currently on target, it seems as if we can now look forward to a more social way of life and the rebuilding of the economy.

For that to happen, confidence is key. In April, the Federation of Small Businesses reported small businesses were gaining confidence with close to 60% expecting their performance to improve this quarter. Through our APA association we have also recently conducted a survey, the results of which are due to be published in the coming month. Please look out for the findings.

With you there to help me

For some time yet though recovery will be reliant on government support and on page 4 you'll find a round-up of the latest measures in place. On the upside, fresh grants and the new recovery loans are in place. If you took out a Business Bounce Back loan, the Government's Pay as You Grow initiative enables you to delay repayments or extend the loan period.

In the film and television production industry, there's also been welcome news as the Restart Grant scheme has been extended to the end of December.

For our clients in the charity sector, the Fundraising Regulator has issued fresh guidance as charities resume public fundraising with the easing of lockdown restrictions. You can find a summary here: *https://tinyurl.com/3crhaebb*

Organisations benefiting from the furlough scheme should be mindful though that it will start to taper off in the summer before closing in September.

With or without you

Of course, not all the challenges this year have stemmed from the pandemic. The adjustments to international trade following Brexit have not gone smoothly. The Office for National Statistics reported that UK gross domestic product (GDP) and total exports dropped by 7.8% and 10.3% respectively in February 2021 compared to February 2020.

While new trading procedures are in place, some have also been delayed. On pages 6 and 7 we've summarised the current state of play for those looking to export or source via Europe.

Brexit is also affecting individuals overseas with UK interests. On page 10, we've touched on recent developments such as the closing of UK bank accounts of non-residents, as well as the new immigration rules.

Are friends electric?

As I write this, a number of countries have publicised their environmental targets and this November Glasgow will host the UN's 26th Climate Change Conference. With the past year dominated by the pandemic, it's good that sustainability is once again in focus. Renewable energy is a sector we're very familiar with as we support many businesses is this important and growing industry – see page 9.

Come together

Another positive that has emerged from the lockdown has been greater recognition to support people's wellbeing. While remote working brings many benefits for some organisations, it also brings challenges in the form of excessive screen time, employee isolation and burnout. Earlier this year, our Business Club (which meets via Zoom) discussed wellbeing essentials to help businesses in 2021. See page 9 for some helpful suggestions.

I have been particularly impressed by how my Shipleys colleagues have adapted to the changes of the past year and maintained our levels of service and standards.

Congratulations to those of you who are celebrating recent exam successes and promotions.

I sincerely hope the next few months are better for everyone than the last. Don't forget our team's experience and expertise are here to support you and please do reach out. We're keen to help.

In the meantime, enjoy the read.

Simon

Sizing up the

Chancellor's Budget

We look at the implications of some of the key announcements in this year's Budget.

Despite concerns about record Government borrowing to prop up the UK economy, which saw a record 9.9% slump in GDP in 2020, Chancellor Rishi Sunak was under pressure on Budget Day in March to continue to help both businesses and individuals cope with the challenges of Covid-19.

In the Budget, and then in further announcements later in March on what has been dubbed 'Tax Day', the Chancellor of course promised to extend the main Covid-19 employment support schemes, plus other pandemic measures (see page 4 for more details).

Government pandemic-related spending in 2020/21 and 2021/22 is now expected to be £407 billion, but the Chancellor's Budget largely avoided trying to find ways to fill the hole in the UK's public finances.

Potential personal threshold trap

Mr Sunak's decision to freeze both the income tax personal allowance at £12,570 and the higher tax rate threshold at £50,270 from 2022/23 to 2025/26 may eventually bring at least some additional revenue for the government.

Assuming rising salaries as the UK economy recovers, taxes that don't rise proportionately could mean more people paying the higher tax rate. For someone on the border between basic rate and higher rates of tax, these rate freezes are the equivalent of a tax increase each year. Assuming a 3% rate of inflation the annual effective tax rate increase is in the region of 0.72%.

Not only could those people end up paying more tax (and possibly being worse off than before they got a pay rise), some couples may lose their right to claim the Marriage Allowance.

This tax relief allows an eligible person to transfer 10% of their personal allowance to their husband, wife or civil partner. However, to benefit as a couple, the lower earner – who would be the one to claim the allowance – must normally have an income below their personal allowance. If the lower earner's income is above £12,750 or the higher earner's increases beyond £50,270, they may lose eligibility.

Rise in corporation tax

The Chancellor will also be hoping to raise more revenue through a 6% increase in the rate of corporation tax to 25% in 2023 (it will remain at 19% for the year beginning 1 April 2022).

The 2023 rise to 25% will only apply to businesses with profits of £250,000 and over, while the rate for businesses with profits of £50,000 or less will remain at 19% and there will be a tapered marginal rate relief system for business with profits between £50,000 and £250,000.

Tax breaks for new machinery

Businesses can of course reduce their corporation tax bills by claiming allowable deductions, expenses and tax relief, giving a more accurate picture of profits. For example, those investing in qualifying new equipment and machinery can now benefit from sizeable new first-year capital allowances.

For the period 1 April 2021 until 31 March 2023, they will be able to claim:

- a 130% super-deduction capital allowance on qualifying plant and machinery investments
- a 50% first-year allowance for qualifying special rate assets.

The super-deduction will allow limited companies only to cut their tax bills by up to 25p for every £1 they invest and is aimed at encouraging businesses to spend on new productivity-enhancing plant and machinery to recover from the impact of Covid-19.

By letting businesses write off the cost of certain capital assets against taxable income, capital allowances can take the place of accounting depreciation, which is not normally tax-deductible. There is currently no proposed cap on the level of investment which qualifies for the 130% rate.

For purchases of second-hand equipment, companies can still use the annual investment allowance (AIA). Its £1 million cap will remain in place until 31 December 2021.
More from gov.uk at
https://tinyurl.com/r8d4ejtx
and from the Shipley website at
https://tinyurl.com/3ubkezzj

To discuss the implications of the Budget and Tax Day on your business or personal finances, please talk with your usual Shipleys contact or get in touch with one of our offices. In the meantime, there's more detail at:
https://tinyurl.com/38canrd5

and

https://tinyurl.com/ccxsmbww

EOT

Growing popularity of employee ownership trusts

Employee ownership trusts offer business owners both a tax-efficient exit and a succession plan to protect a company's unique culture.

A sizeable cut in a popular capital gains tax (CGT) relief implemented last year is encouraging more business owners looking for a tax-efficient exit strategy to consider the potential advantages of employee ownership trusts (EOTs).

EOTs have already found favour with UK entrepreneurs – Aardman Animation, the studio behind Wallace and Gromit, is just one of the estimated several hundred companies to have transferred control to EOTs in recent years.

However, EOTs have moved further into the spotlight after changes brought in last year to entrepreneurs' relief (ER) – now rebranded as business asset disposal relief (BADR). Effective from 11 March 2020, a new lifetime limit on gains eligible for BADR, which offers a 10% rate of CGT instead of the usual 20% for higher-rate taxpayers, is now £1 million instead of £10 million.

Tax-free sale of shares

First introduced in 2014 to encourage employee-owned companies, EOTs allow business owners to sell their company or a controlling number of company shares to an EOT without paying any capital gains tax. However, as with all share transfers over a certain value, stamp duty is payable on the transfer of shares.

Another key feature of EOTs for owners to consider is that the sale price is often not all paid upfront, instead some part of it will be repaid through the company's trading profits in the years that follow.

For many entrepreneurs without family members to pass their business on to, the EOT option of selling to employees who helped build the business is a succession plan that ensures the company retains its independence and the unique culture that made it a success in the first place.

In addition, former owners and directors who want to continue to contribute to the company's future can choose to keep a small number of shares and remain in situ post-sale, while still receiving market-competitive remuneration packages.

For employees, one of the main benefits of EOTs is that their shares in the company can be paid for from profits the company generates over a number of years, meaning they can buy the business without the burden of personal debt. In addition, genuine bonuses of up to £3,600 a year paid to employees of a company owned by an EOT can be exempt from income tax.

Greater commitment and loyalty

Not only will employees avoid the upheaval that often follows a business sale by taking the EOT route, but employee ownership is generally considered to lead to greater commitment to the business, with increased staff loyalty and lower staff turnover. These are benefits that can only strengthen a company's chances of success – even in the face of challenges like the ongoing Covid-19 pandemic.

One possible hurdle is that an EOT may need to borrow some money to fund the purchase of a controlling majority of shares. However, lenders are becoming increasingly familiar with this approach.

Retaining senior management can help to ensure the best chance of a smooth handover of day-to-day control, but it should be remembered that under EOT rules they will not be allowed to have substantial shareholdings in their own right.

And finally, an EOT is no guarantee that a company will succeed – management by employees brings changes that may require significant readjustment and EOT companies still need investment to fund working capital and growth.

If you want to discuss EOTs or other exit planning strategies, please get in touch with your usual Shipleys contact. Further details of the tax benefits of EOTs are available at *https://tinyurl.com/yu6pfej6*

Pandemic support for businesses extended to boost economic recovery

Amid growing optimism about an economic bounce-back, the Government will continue supporting businesses and protecting jobs.

Job Retention Scheme

Recognising that businesses still need help to recover from the challenges of the pandemic, the Chancellor's Budget statement announced the continuation of support measures, like the Coronavirus Job Retention Scheme (CJRS).

As most businesses will be aware, employers can continue to furlough staff, with the Government paying 80% of wages (capped at £2,500 a month) and employers responsible for NICs and pension payments, until the end of June. Government payments will then drop to 70% in July (capped at £2,187.50) and 60% in August and September (capped at £1,875) before the CJRS closes on 30 September. You can find out if your business is eligible from gov.uk at *https://tinyurl.com/4dmnknch*

SEISS

The Self-Employed Income Support Scheme (SEISS) will also continue until September with a fourth and fifth grant. The closing date for fourth grant applications is 1 June 2021. The fifth and final SEISS grant, covering May to September, will differ slightly in that it will be determined by how much a self-employed business' turnover has been reduced.

New Recovery Loan Scheme

The four previous Government-backed Business Interruption Loan Schemes are now closed to new applicants. However, since 6 April this year, eligible businesses have been able to access a new Recovery Loan Scheme –- even if they had taken out a loan under one of the previous loan schemes.

The new scheme will remain open until 31 December 2021, subject to review. It gives businesses of all sizes access to loans and other kinds of finance from £25,000 to £10 million per business.

The Government will guarantee 80% of the finance to the lender and, once received, the finance can be used by businesses for any legitimate business purpose, including growth and investment. Loans are available through a network of accredited lenders, listed on the British Business Bank's website at *https://tinyurl.com/2x2f435s*

If you took out a Business Bounce Back loan, the Government's Pay as You Grow initiative enables you to delay repayments or extend the loan period. More at *https://tinyurl.com/wt2cd3h*

Business rates and grants

Exemption from paying business rates for all retail, hospitality and leisure businesses will change after 30 June, with these businesses getting 66% business rates relief for the period 1 July 2021 to 31 March 2022. The relief will be capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties.

The Government is to provide Restart Grants in England of up to £6,000 per premises for non-essential retail businesses and up to £18,000 per premises for hospitality, accommodation, leisure, personal care and gyms. The grants are now available and eligible businesses can apply via their local authority. Find out more from gov.uk at *https://tinyurl.com/xeac7ch4*

Kickstart Scheme

It should now be easier for smaller businesses to apply for funding under the Kickstart Scheme, created to provide high quality six-month work placements for those aged 16-24, after the removal of the previous qualifying requirement to create a minimum of 30 placements.

Government funding for each job covers 100% of the relevant National Minimum Wage for 25 hours a week plus the associated employer NICs and employer minimum automatic enrolment contributions (a maximum of about £6,500). There is also £1,500 per job placement available for set-up costs, support and training. More from gov.uk at *https://tinyurl.com/yrfn7uzk*

Finally, with social distancing measures likely to be in place for some time, all businesses, whatever their size, can sign up to the free workplace covid-testing programme. More from gov.uk at *https://tinyurl.com/4s44nfcm*

There's more detail on the Shipleys website at *https://tinyurl.com/2cnz3s4x*

R&D tax credit repayments capped

Research and development (R&D) tax credit repayments for SMEs are to be capped for accounting periods after March 2021. The cap limits the payable R&D credit to £20,000 plus 300% of an SME's total PAYE and NIC liability.

The cap will not apply to those companies which have employees creating or managing intellectual property and which don't spend more than 15% of their qualifying R&D expenditure on outsourcing the relevant R&D work to connected parties.

IR35 Reality starts to bite

Despite concern about anomalies and lack of clear guidance, and with many businesses hoping for a further postponement, new off-payroll working rules took effect on 6 April.

The ongoing IR35 saga, as reported previously in *Shipshape*, continues. Businesses impacted by these rules are now expected to comply, even though the final legislation that governs them has not yet been enacted in law. It may be July before that happens and it's unclear what amendments will be made to the Bill to address the predicted teething problems of what are complex changes to tax and employment processes.

A brief refresh

The IR35 rules are designed to ensure that individuals working for a client in the same way as permanent employees but supplying their services through their own personal service company (PSC), pay broadly the same income tax and national insurance contributions (NICs) as individuals who are employed directly.

It used to be the responsibility of contractors and their PSCs to assess their own IR35 status and then to account for any tax and NICs due. However, in 2017, the balance began to change when that burden switched to the client in the public sector. Since 6 April this year, this shift in responsibility has also applied to medium and larger businesses in the private sector (and some charities).

Rule changes

The new rules mean that such businesses will need to determine the employment status of contractors and then communicate this to them in a Status Determination Statement (SDS), giving the reasons for their conclusion.

If an individual is deemed to be operating 'inside IR35', he or she will be regarded as a client's direct employee for income tax purposes, and the client, or 'fee-payer', will have to deduct tax and NICs under PAYE and pay employer's NICs – accounting to HMRC through its own payroll.

The contractor and their PSC is responsible for workplace pension contributions, student loan repayments and holiday pay, but the client is responsible for any apprenticeship levy payments.

For corporation tax, the payment received from the client that represents deemed earnings is not required to be brought into account in calculating the profits of the PSC's trade.

If a contractor works through an umbrella company – a third party operating between the contractor and the client – the contractor will be paid through the PAYE system by the umbrella company.

What's next?

Businesses using contractors working inside IR35 should review the terms of all contracts for services affected to reflect the fact that they, as the client, will have to pay employer's NIC. They will also need to justify the deduction of the tax and employees' NICs to be accounted for on the deemed employment earnings.

Many businesses finding themselves impacted by IR35, but with uncertainty about some aspects of the new system, have simply opted at this stage to take contractors onto their payroll.

Uncertainty about IR35 includes a lack of guidance on what action should be taken about payments for work carried out before a status determination statement is supplied. There are also concerns around who has liability for income tax and NICs when there is a chain of parties between the client and the individual carrying out work.

HMRC offers a Check Employment Status for Tax (CEST) tool to help determine the relationship between a contractor and a client at *https://tinyurl.com/zg4ufoc* If you would like advice or further information, please speak to your usual Shipleys contact. More on the Shipleys website at: *https://tinyurl.com/y6ezxnrd*

The Brexit deal, now ratified by the European Parliament, has transformed the landscape for trading between the UK and EU.

Coming to terms with a new trading relationship

Here we summarise what changes have been implemented, what's been delayed and some of the emerging practical issues for businesses that are affected.

Following the signing of the Trade and Cooperation Agreement between the UK and EU and the end of the Brexit transition period on 1 January this year, businesses are coming to terms with significant changes.

Businesses that employ anyone from outside the UK, including from the EU, now have to navigate a new points-based immigration system, which has introduced job, salary and language requirements.

And while the Brexit deal ensured tariff-free movement of goods of EU or UK origin across EU and UK borders, imports and exports of goods now need to be formally declared to customs agencies.

New timetable for import border control

However, a new timetable for introducing import border control processes has been set out by the UK government to enable businesses to focus on bouncing back from Covid-19 challenges.

Full border control processes won't now come into effect until 2022, six months later than originally planned. The delay is to allow businesses further time to prepare for changes at the border and minimise disruption.

Deal for services

The UK's services sector was largely overlooked in the Brexit deal, but UK/EU cooperation over the cross-border supply of financial services came a step nearer this spring when the two sides agreed a memorandum of understanding (MoU).

Although still to be formally finalised, the new rules are expected to mirror an existing framework between the EU and the US.

Shipleys continues to help businesses adjust to the UK's new trading relationship with the EU. Drawing on our membership of AGN International – a global association of separate and independent accounting and advisory businesses – we are arranging various EU registrations, establishments of EU subsidiary offices and appointing fiscal representatives on our clients' behalf.

1 Jan 2022

Delayed date for introduction of full EU import border controls

Data protection agreement a step closer

Uncertainty around what businesses are expected to do with data coming out of the EU should soon be cleared up following draft UK adequacy decisions from the European Commission earlier this year.

If accepted by the European Data Protection Board and then ratified by representatives from the 27 EU member states, the adequacy decisions will allow for continued free flow of personal data from the EU into the UK.

UK businesses will in the meantime continue to be able to receive data from the EU under the adequacy bridge agreed in the 2020 Trade and Cooperation Agreement.

Positive progress has been made largely because the UK government has said that it intends to incorporate the EU's GDPR rules on data protection principles, rights and obligations into UK data protection law.

However, ongoing cooperation relies on continuing data law alignment and it's likely the adequacy decisions will be reviewed in four years' time.

The Information Commissioner's Office website has more information, including whether UK businesses with no office, branch or other establishments in the EEA may need to appoint a European representative: *https://tinyurl.com/j3w3pcps*

The gov.uk website is also helpful: *https://tinyurl.com/y5c73zcv.*

Make sure you're in the know when it comes to changes to EU VAT

A number of practical VAT and duty issues have emerged which were not wholly obvious in the lead-up to Brexit. Hopefully, sharing some of them here will assist our clients' decision-making with over coming months.

Since 1 January, the VAT landscape when dealing with EU member states has changed dramatically and all businesses should ensure they understand the new rules, especially as they can differ from country to country within the EU.

VAT refund process

To submit a VAT refund claim, several EU member states (including Spain, Italy and France) now require UK businesses to appoint a fiscal representative, which can make the process expensive.

In light of this, businesses incurring a lot of VAT in the EU may want to rethink their VAT strategy. They may need to build in an extended timescale for getting refunds or simply budget on the basis that they won't be able to recover VAT, which could push up costs by 20%.

Other options include partnering with an existing EU-based business or setting up a company VAT registration in the EU (Ireland and the Netherlands have proved popular choices so far).

From July 2021, UK suppliers of low-value goods (less than €150) to online consumers across the EU must register for a new scheme to account for applicable EU VAT. Customers will pay VAT at the point of sale based on their place of residence, so websites and accounting systems will have to be able to cope with multiple VAT rates applying to the sale of their goods. Northern Ireland (NI) businesses are subject to different rules.

Duty deferment accounts

Despite early misunderstanding of new post-Brexit arrangements, UK duty deferment accounts are not required for importing goods into Great Britain (GB) from the EU.

Firstly, most GB- and EU-origin goods are exempt from customs duty. In addition, GB VAT-registered businesses importing to GB can use the newly introduced postponed import VAT accounting to deal with any import VAT due on imported goods.

This removes the requirement to pay VAT to GB Customs at the border – instead the importing business accounts for the import VAT on its VAT return calculation.

The duty exemption applies only if the appropriate rules of origin are met. Goods must therefore not only be produced in the EU but also consist of a majority of raw materials that originate in the EU or GB to benefit from the zero-tariff rate.

For example, if a GB company imports goods into GB from China and then sells on to customers in the EU, there will be two instances where customs duty will apply. GB businesses should therefore consider customs simplification procedures such as customs warehousing in GB or having a base somewhere in the EU to limit customs duty costs on non-EU origin goods.

Northern Ireland

The Northern Ireland Protocol means the way VAT is reported on goods supplied between NI and GB will broadly continue to apply as it did before, so VAT should be charged as if they are domestic UK supplies.

However, the supply of goods between mainland GB and NI (and vice versa) is seen as export and import for VAT purposes. Therefore, mainland GB businesses will need a GB EORI number and NI businesses will need an XI EORI number to import or export goods between the GB mainland and NI. This number must be quoted in the import customs declaration to ensure that any import VAT can be recovered.

EU VAT rules apply to goods moved to or from Northern Ireland to EU member states.

For more help on VAT and customs, email Nancy Cruickshanks at *CruickshanksN@shipleys.com*

Brexit grants available for SMEs

Businesses could get a grant of up to £2,000 to help with training or professional advice, thanks to the UK Government's SME Brexit Support Fund.

Qualifying UK businesses – with up to 500 employees and no more than £100 million annual turnover – can use the grant for training on:

- how to complete customs declarations
- how to manage customs processes and use customs software and systems
- safety and security declaration requirements
- specific import- and export-related aspects including VAT, excise and rules of origin.

PricewaterhouseCoopers is administering the grants on behalf of HMRC and applications will close on 30 June 2021 or earlier if all funding is allocated before this date. Apply on online at: *https://tinyurl.com/wxayt892*

£2k

VAT corner

Important changes

Construction industry reverse charge

Any business involved with either supplying or receiving construction services needs to be aware of the VAT reverse charge arrangements that have applied from 1 March 2021. Suppliers will no longer charge VAT on affected supplies. Instead, the customers will account for the VAT as on a supply to themselves.

This affects any business that is, or ought to be, registered for both VAT and the Construction Industry Scheme (CIS) that is supplying construction services subject to VAT at either 5% or 20%.

Contact Shipleys for assistance – in the meantime, here's more information at our website: *https://tinyurl.com/dzvtcuvw*

Making Tax Digital

Making Tax Digital (MTD) rules – which require a business to keep digital records and use MTD-compliant software to file their VAT returns – will include all VAT-registered businesses, regardless of turnover, from 1 April 2022.

In the meantime, all businesses not already signed up for MTD will have their VAT records moved from the old HMRC VAT mainframe to a new software platform. The change should be seamless but affected businesses may notice some differences and may need to resubmit direct debit mandates.

In addition, all non-VAT-registered self-employed individuals and landlords with annual turnover or rental income above £10,000 will also need to follow the MTD rules for income tax from their next accounting period starting after 5 April 2023. More at: *https://tinyurl.com/dpx2sc5v*

Temporary changes for commercial property

In response to Covid-19, temporary changes to the rules for the notification of an option to tax (OTT) land and buildings have been extended. For any OTT decisions made between 15 February 2020 and 30 June 2021, the notification period is 90 days instead of 30. The June date has been extended from an earlier end date of 31 March 2021. More at: *https://tinyurl.com/nnp57j4e*

Deferred payment

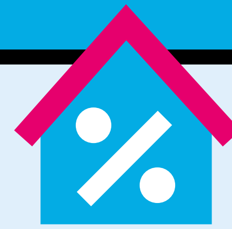
The online system for opting into the Government's scheme for spreading deferred VAT payments over the financial year 2021/22 is now live at *https://tinyurl.com/2hrvutaw*

The number of instalments is dictated by the date of joining so early sign-up is recommended. Businesses on the VAT Annual Accounting Scheme or the VAT Payment on Account Scheme can also now join the new payment scheme. More at: *https://tinyurl.com/2cnz3s4x*

E-commerce transactions

New rules covering VAT on e-commerce transactions with consumers in the EU come into effect on 1 July, 2021. Explanatory notes are available at: *https://tinyurl.com/xvanrnve*

Tax news



Property tax briefs

A round-up of topical tax issues relating to property ownership

Trust registration for tenants

Couples who buy a new lease as joint tenants and then have a liability to pay stamp duty land tax (SDLT), or the Scottish or Welsh equivalent, may be unaware that they are obliged to register with HMRC's Trust Registration Service. For an overview of trusts and taxes, there's more information available on the gov.uk website at: *https://tinyurl.com/pxfby9k3*

Tax charge on lease extensions

Property lease extensions at anything other than full market value, where the lessees (tenants) are the shareholders of the company owning the property freehold, could expose both the lessees and the company to unexpected tax charges. The lessees should seek advice to be sure of their position before extending their leases.

Non-UK resident property disposals

Non-residents should remember that, as well as the disposal of UK property, the disposal of any size of holding or interest in UK real estate-rich collective investment vehicles has to be reported, and capital gains tax paid, within 30 days.

If you would like advice or further information, please speak to your usual Shipleys contact.

Non-UK resident stamp duty surcharge

A new SDLT surcharge on non-UK residents buying residential property in England and Northern Ireland has been in force since 1 April 2021. The surcharge is 2% above the existing residential rates. There are exceptions, including around who is deemed to be the 'beneficial owner' of the property, so prospective buyers should seek specialist SDLT advice before committing to a purchase.

Furnished holiday lettings

Properties that qualify as furnished holiday lettings can be treated as a business for tax purposes, but only if the property is actually let as furnished holiday accommodation for 105 days a year. However, if it is let for less than that time, for example because of Covid-19 restrictions, HMRC will allow a 'period of grace', provided it can be shown there was a 'genuine intention' to let the property and it was available. However, the property must have met the occupancy condition in the prior year. More from gov.uk at: *https://tinyurl.com/tw8mc2y*

Keeping wellbeing at the heart of your business

Employee wellbeing has never been higher on the agendas of businesses as it is today

Disconnected and remote working environments, financial worries and health anxiety around Covid are leading to high levels of employee stress, depression and burnout according to the World Economic Forum.

The importance of understanding and successfully managing wellbeing issues was discussed at our first Shipleys Business Club of 2021. Here we look as some of the key takeaways from our discussion.

A proactive approach to wellbeing can help boost a company's reputation and support retention and recruitment, as well as reducing legal claims around work-related stress, mental and physical ill-health.

Boosting productivity

Furthermore, wellbeing interventions can improve the bottom line, boosting employee productivity by up to 12% according to the Mental Health Foundation.

Many organisations are running wellbeing initiatives, giving employees the resources and help they need.

Assessing how employees are managing at home, particularly via a phone call, is not only appreciated but helps businesses identify changing employee behaviours that often signpost stress and mental health issues.

Providing training to define boundaries between work and personal time results in improved wellbeing, as does helping staff to take exercise and introducing measures like meeting-free days or daily breaks.

Organised virtual social activities can reduce feelings of stress and isolation – one employer has created a 'Zoom canteen' for people to have a lunchtime chat and catch-up.

Tackling isolation

Where staff struggle with isolation, employers find that reopening a safe, Covid-secure office space for them boosts their mental health, motivation, focus and energy levels.

Wellbeing should remain a priority for every business. More at: *https://tinyurl.com/283uxz53*

Continuing our series on Shipleys' sector specialisms, we talk to Joe Kinton, who leads our renewable energy team.

Supporting the renewable energy sector

Our clients in the renewable energy sector are at the heart of the global struggle to combat climate change by driving the transition away from fossil fuels and cutting carbon emissions.

Renewable energy is central to both the UK's net-zero carbon emission target for 2050 and the government's commitment to 'build back better' after Covid-19. It's a sector that's getting a lot of attention in the run up to the COP26 climate conference being hosted by the UK later this year.

Audit partner Joe Kinton says Shipleys is excited to be playing its part by supporting companies operating in the sector: "The companies we work with are involved with onshore and offshore wind, solar power and anaerobic digestion using plant and animal biomass. It's a hugely innovative sector with advances in existing technologies and new technologies emerging all the time."

Renewables sector continues to grow

Growth in the sector in the UK continues, helped by the falling cost of renewables technology, and aided by direct capital raising and financing through consumer investment funds. Investors are attracted by the relatively reliable, low-risk cash flow that businesses in the sector generate over the long term.

Shipleys has a proven track record of helping entrepreneurs, established energy businesses, funds and fund managers in the sector. Joe explains the team's support covers accounting, audit, tax planning and cash flow management, as well as business structuring, sales, mergers, acquisitions and capital fundraising.

Looking ahead, Joe says: "It's clear that renewable energy will eventually replace fossil fuels as our major energy source, but one of the challenges for the sector is proving its dependability even when the sun doesn't shine and the wind isn't blowing. So there's now a focus on battery storage – an area where the technology is still developing.

"Besides growing our clients across the sector generally, we see the battery storage sub-sector as a key growth area and I'm delighted to say we've recently taken on a new client in that space."

There's more on our specialist renewable energy team at: *https://tinyurl.com/mzyphkpj*

In memoriam: Roger Bowden Lyle

We were saddened to hear of the death of our former colleague Roger Bowden Lyle, aged 84.

Roger joined Shipley Blackburn Sutton & Co (as we were known then) straight from school in 1954 as an articled clerk. A contemporary of Michael Heseltine (who also trained with us at that time), he qualified with us and over the next 40 years devoted his whole career to the firm. This included becoming a Partner in 1969.

We are very grateful to Roger for his significant contribution to the computerisation of the firm's records in the mid to late 60s and for generally taking responsibility for looking after Shipleys' finances for 25 years. His professional work comprised audit and general financial advice. He was also at the forefront of forging the firm's connections with other accountants worldwide.

He leaves a wife, three sons and six grandchildren, and they are all very much in our thoughts.

More workers qualify for self-employed status

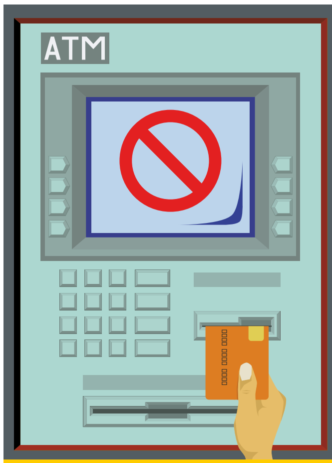
A list of behind-the-camera roles in the film and TV industry that qualify a worker for self-employed status has been expanded and updated but is still not exhaustive.

Amended by HMRC in December 2019, the list incorporates modernised job titles and makes self-employed status available to a wider group of workers. Those meeting either the criteria in column A or column B of appendix 1 at *https://tinyurl.com/hrk79rfb* can be readily accepted as self-employed for tax purposes.

The changes will help the industry assess quickly the tax status of large numbers of workers taken on for a particular production. The list applies to directly employed workers and also contractors working through their own companies.

However, the list of roles is not exhaustive, and some individuals may not meet the criteria in the list of roles accepted as self-employed, yet work on a succession of short-term engagements with a large number of different clients. Where the work patterns and business structure are consistent with the circumstances of the Lorimer case (a 1993 legal judgement) , such individuals can be treated as self-employed.

Where a role is not listed, or the criteria is not met, the individual can seek confirmation from HMRC so that an employer may treat them as self-employed.



Banks closing expats' accounts

Uncertainty over new EU rules on financial services has led some banks, building societies and credit card firms to close accounts held by Brits living abroad in certain parts of Europe.

Barclays, Lloyds Banking Group (including Bank of Scotland and Halifax), Co-operative Bank and Nationwide are among the UK financial institutions that have already decided to close accounts, while others will carry on with existing customers but won't grant requests for new or increased overdraft limits, credit card limits or additional cardholders.

Pre-Brexit, 'passporting' rules allowed UK financial services firms to provide services to customers across the EU trading bloc but following Brexit firms now must get direct authorisation in EU countries. Many are opting simply not to operate in certain locations, while other institutions are said to be monitoring developments before deciding about expats' accounts.

UK citizens living overseas will need to open accounts locally but could be hit with hefty transfer fees if they need to pay for items back home or have their pensions paid into local bank accounts.

The UK regulator, the Financial Conduct Authority, has written to banks to remind them of their obligations to customers if they choose to close accounts, including giving at least two months' notice before closing current accounts that are in credit.

How new immigration rules will affect businesses

Following Brexit, coming to work in the UK is no longer as simple with a new points-based system applying to both EU and non-EU citizens.

The system, which does not apply to Irish citizens, who are still free to come to the UK, is broadly split as follows:

- *tests for skilled workers arriving in the UK with a valid job offer*
- *a global talent scheme to allow highly skilled scientists and researchers to come to the UK without a job offer*
- *a student visa allowing people to study in the UK if they have a valid offer of a place on a course, have enough money to support themselves and have a good understanding of spoken and written English.*

For people who want to invest in the UK, there are two new categories, which replace the old investor visa:

- *A Tier 1 Innovator visa for those that wish to set up an innovative business in the UK, ie a new business with an original idea which is viable for growth*
- *A Start-up visa – similar to the Innovator visa, but which must also be endorsed by a UK higher education institution or a business organisation with a history of supporting UK entrepreneurs.*

An offer of a job must come from an organisation that is a Home Office-licensed sponsor. Specialist advice should be sought to ensure the right actions are taken before someone arrives in the UK with the intention of staying for a long period.

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