Winter 2021/22

Financial and business intelligence

SHIPSHAPE

Staying strong

Looking ahead with confidence to a better 2022

shipleys LLP

Also in this issue:

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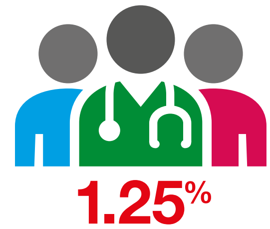
Shipleys LLP is a firm of chartered accountants and business advisers. *Shipshape* is our regular newsletter for clients and contacts.

If you have any suggestions for topics you would like to see covered in *Shipshape*, or have any comments about its content, please contact Karli Stephens at our Godalming office.

T +44 (0) 1483 423607
E StephensK@shipleys.com

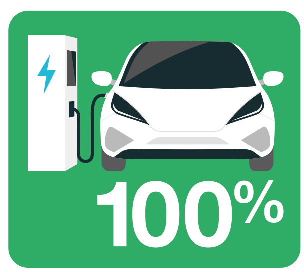
Designed and co-edited by thirdperson.co.uk

New VAT penalty and interest regime comes into effect



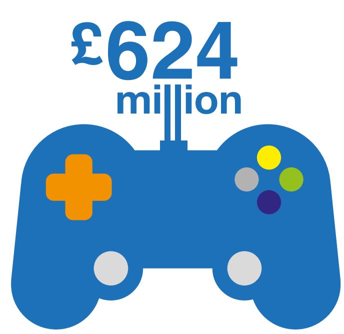
New health and social care levy from 2022/23

Tax relief for businesses on cost of energy-efficient technology and equipment (enhanced capital allowance scheme)



First year capital allowance for low or zero-emission company cars

New deadline for reporting CGT on property or land sales



Amount of Video Games Tax Relief paid since its 2014 introduction

Viewpoint: Simon Robinson and Steve Foster
020 7312 0000 • robinsons@shipleys.com • fosters@shipleys.com

And the beat goes on...

Time for a change

Regular readers of Shipshape Viewpoint will spot that, unusually, this time it's a double-act – no comparisons please!

Having completed my second term as Shipleys' Managing Principal, I passed on the baton to fellow Principal, Steve Foster, on 1 November.

It's been a real privilege and very rewarding to have led the firm over the past six-and-a-bit years. As many businesses would I'm sure testify, the past 18 months have been quite a challenge and I am enjoying my return to full-time client work. It's reassuring, though, that the firm has maintained a strong position and, looking forward, it is certainly in good hands.

If you haven't met Steve, he trained and qualified with Baker Tilly and then spent six years as director of finance at a London-based media business. He joined Shipleys LLP as a Principal in January 2008 and advises a diverse portfolio of clients, ranging from ambitious start-ups to public companies.

In the role of Managing Principal, he will lead the firm's strategic direction and overall management. He will also oversee the development of our people and ensure our top-quality client service is maintained.

Simon

A heartfelt thank you

I and my fellow Principals are hugely grateful to Simon for all his hard work as Managing Principal over the past six years. During that time the firm has grown both organically and by acquisition. It also adapted quickly to the working challenges of the pandemic.

I'm really looking forward to further building on Shipleys' success to date and guiding the firm in its future development. It's an exciting time, as we support clients as they adapt to the post-pandemic landscape. Our focus will remain to help clients thrive and it's a privilege to take on this leadership position.

Steve

Moving on up

Since our last issue, there have been more positive signs that the economy is recovering. The Chancellor's Budget in October was a case in point. With better Office for Budget Responsibility forecasts for projected economic performance, the Chancellor was in a spending rather than taxing mood.

You can read more about the key implications of the Budget here: *https://tinyurl.com/2p8kwhcp.*

We've also highlighted some key VAT developments to be aware of on page 7.

Our house

While the Chancellor didn't initiate the capital gains tax offensive some people were fearing, there have been some changes regarding CGT on property – see page 2. Also, if you're considering purchasing or selling property in France, be mindful of new implications following Brexit – see page 10.

Waiting on the world

Climate change was brought into sharp focus as politicians from across the globe descended on Glasgow for COP26. To coincide with the event, new Sustainability Disclosure Requirements for larger companies have been announced. Find out more on this and other environmental considerations for businesses on page 4.

Climb that hill

As the economy slowly recovers, many businesses are assessing how to grow in still challenging conditions. Speed of growth is often influenced by access to finance and on page 5 you'll find a summary of different finance options now that many government-backed schemes have closed.

Growth also comes from being able to draw on the right talent. As there's a tougher recruitment pool in many sectors post-Brexit, on page 9 there's a summary of tax-efficient benefits to help incentivise staff and boost retention.

Game on

Shipleys has a long tradition of supporting the media industry and it's been great to see the output of the film, TV, animation and video games sectors increase over 2021, despite tough conditions. A recent change to the reliefs for film and TV production is worth noting – see page 6.

Also, we are delighted to feature our video games sector specialism (page 6) and the achievements of one of our clients (page 8).

With a little help from our friends

2021 has been another year few will forget. We've been delighted to work closely with clients to help them survive and thrive in tough conditions.

Throughout, we've been very proud of the agility and professionalism all our colleagues have shown. As a case in point, we're also pleased to announce that Sarah Leek, who some of you will know, was recently promoted to Director.

Furthermore, we'd like to congratulate all our staff who passed their professional exams in 2021. It was a challenging year in which to study, and we are very proud of the results they achieved.

And finally, thank you to all our clients and contacts for your support over the past 12 months. On behalf of everyone at Shipleys we wish you good health, prosperity and happiness in 2022.

Tax payment changes on property sales

Changes to the way capital gains tax (CGT) works for property disposals are impacting both UK-resident and non-resident owners

The deadline for reporting and paying capital gains tax (CGT) connected with the disposal of property and land in the UK has been extended from 30 days to 60 days.

Announced in the government's autumn budget, the time extension applies to all reporting and disposals of CGT-liable property made by UK residents on residential property from 27 October 2021 onwards.

The extension also applies to all UK land disposals from 27 October 2021 by non-residents on direct and indirect disposals irrespective of whether tax is due.

If a mixed-use property is sold by a UK resident, the 60-day rule only applies to the residential element of the gain. However, as before, CGT does not apply to UK residents selling their primary residence.

But for property sales where CGT is applicable, taxpayers now have more time to report and pay and, if necessary, get advice. The change recognises that the previous 30-day CGT reporting and settlement window was challenging to meet in practical terms due to the various and often lengthy administrative processes connected with paying CGT.

The tax allowance of £12,300 against CGT remains unchanged for the 2021/2 and 2022/3 tax years. There is also no change to the 18% payable on gains on residential properties for lower-rate taxpayers and 28% for higher rate payers, nor to the respective 10% and 20% rates payable on gains from commercial property sales.

Rebasing property values

For non-residents selling UK property however, it's worth remembering CGT is only charged on any gain made since 6 April 2015 for residential properties and from 6 April 2019 on all direct and indirect disposals of UK land.

Therefore, it is important to have an accurate valuation record of the property on those dates. The most effective way to achieve that is to get a retrospective valuation from a registered professional surveyor. While it involves a fee, it is more likely to be accepted by HMRC.

It's also possible to get free valuations from estate agents, but this carries greater risk of an HMRC challenge.

Lettings relief changes

Significant changes have also been made to the 'lettings relief' applied to the disposal of rented properties.

Previously, owners could qualify for the relief by temporarily 'electing' the property as their Principle Private Residence with HMRC – a process known as flipping – thereby benefiting from a significant reduction in CGT liability upon disposal.

Since April 2020, under the new rules, relief can only be claimed by an owner selling a property if they live in it at the same time as their tenants when it is nominated as their main home.

If you would like advice on how the changes to the CGT rules might impact you, please get in touch with us.

Protection against the cost of tax enquiries

For a modest annual charge, our tax investigations service gives you peace of mind that, in the event of an HMRC enquiry, you're protected against the professional costs associated with our support.

Tax enquiries are taking more time to deal with and becoming costly as a result. Yet the cost of not defending enquiries properly can be huge.

Tax investigations can happen to anyone, whether you're an individual or a business, and regardless of how good your records are. Some investigations are simply random.

HMRC has access to data from many sources, including banks and building societies, property-based information, HM Land Registry, letting agents, mortgage applications, DVLA and foreign data from overseas tax authorities. Even if you've done nothing wrong, you can be selected.

Although we can't completely take away the stress and anxiety of being under investigation, we can protect you from our professional costs and work to achieve the best outcome for you.

More information at:
https://tinyurl.com/45hyemwd

Trusts: a look at the income tax and capital gains tax benefits

In the second of a series of articles, we look at some further tax advantages of trusts.

In the last edition of Shipshape (*https://tinyurl.com/38z67sdm*), we discussed trusts and how they provide a method of making gifts for the benefit of others. These are put into the safe hands of trustees who look after the assets, providing income or benefits to beneficiaries, until such time as it's appropriate to close the trust. Trusts can be very useful for inheritance tax (IHT) purposes, but this isn't the only tax which makes them appealing.

Income tax

Trusts can be hugely beneficial for income tax purposes in the right circumstances. As long as a trust is not settlor-interested (broadly where the settlor or their minor children can benefit), payments made to a beneficiary from the trust are taxed at their marginal tax rate. This means lower tax-paying beneficiaries may have little to pay.

An example of this is where grandparents settle funds on trust for their grandchildren. Assuming the grandchildren have no other income, payments of up to £12,500 can be made for their benefit with no net tax paid on that income. This can be a very efficient way of funding school fees.

Parents normally need to wait until their children are over 18 to create a trust for their benefit without adverse tax consequences, but then a gift into trust could be made where the income is used for university fees – again at a tax-free or low tax rate.

Once the children or grandchildren finish education, the trust capital might be used to help towards a new home or held in trust to generate income, or for future beneficiaries.

Capital gains tax

One potential issue with creating a trust is having the cash resources to make a gift. However, the tax rules can help with this.

Rather than selling an asset to raise cash and suffering capital gains tax (CGT), assets can be gifted directly to a trust, and CGT hold-over relief used to defer the gain. Any CGT is then payable by the trustees instead when they come to sell in the future.

This works well for both rental properties and long-standing shareholdings where gains on a disposal could be high. As long as the assets produce an income stream for the trustees to use, and no disposal is required, the trust could continue to hold these assets.

Trustees have a CGT annual exemption, which is half that of an individual. Therefore, if we take the example of a shareholding, the trustees could slowly divest themselves of the shares using their exemption each year and diversify away from the gifted shares.

One further benefit is that if the trustees decide to distribute capital to a beneficiary, they can do this under the same hold-over rules. So, a further planning option is to distribute shares to a beneficiary who has no other gains. They can then sell them and use their full annual exemption.

More details on trusts and estates from the Shipleys website at: ***https://tinyurl.com/uc3496wt***

Example

The life of a shareholding trust

As an example of the life of a trust, a grandparent might do the following:

- **Create a trust with £300,000 of shares, with any gain 'held over'**
- **Use the income and some capital for the following 10 years to pay £20,000 per annum towards school and university fees, with little or no income tax or CGT required to be paid if within the relevant allowances**
- **After 10 years, assuming some growth, there might be, say, £270,000 left in the trust for the grandchildren who have now left university**
- **Each grandchild could have £135,000 to put towards a property purchase or to provide them with additional income until they need the capital.**

By this stage, the grandparent has made a gift of £300,000, which along with any growth is now outside their IHT estate. They have not paid income tax on, say, £100,000 of income over that period and have helped their grandchildren. This does assume roughly 3% growth and 3% gross income being generated.

The total tax saving for additional rate taxpayers here could be over £160,000 in IHT and income tax, plus any CGT savings, compared to making payments from after-tax income, or over £200,000 by doing nothing at all – all from a £300,000 gift.

Encouraging business to go green

The recent COP26 Summit brought the role of business in addressing climate change into sharp focus.

Major UK firms and financial institutions will need to show how they will meet climate change targets under proposed Treasury rules announced at the Summit.

They will also be subject to forthcoming mandatory Sustainability Disclosure Requirements (SDRs) requiring them to report on their environmental risks and impact on an ongoing basis. SDRs will affect certain large companies, listed companies, relevant financial services firms, asset managers and asset owners including occupational pension schemes, and creators of investment products.

These developments clearly indicate the government's direction of travel in aligning UK business with its wider environmental goals.

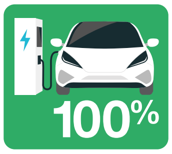
Meanwhile, there are already a number of financial incentives in place to encourage all types of business to become more eco-friendly.

For example, firms can claim 100% tax relief on the cost of energy-efficient technology and equipment, like solar panels and heat pumps, through the Enhanced Capital Allowance scheme.

Switching to new, pure electric vehicles has been made more affordable for businesses as they qualify for a 100% first year capital allowance until April 2025 and a company benefit rate of just 1% for 2021/22. And for businesses and employees looking to do their bit on a smaller scale, the cap on the value of bicycles and electric bicycles purchased through the cycle to work scheme has also been removed.

For property developers involved in cleaning up contaminated land, up to 150% tax relief is available on the cost and, additionally, a 24% cash repayment for the remediation costs can be claimed if the development makes a loss.

If you would like to discuss the incentives available to help your business go green, please get in touch.



First year capital allowance for low or zero-emission company cars

Reminder: NIC and corporation tax rises on the horizon

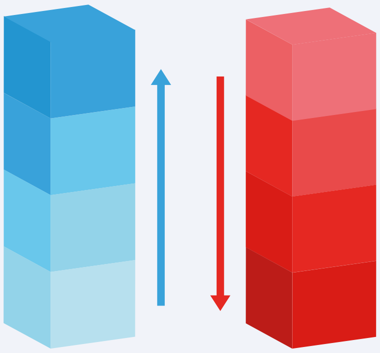
National insurance contributions (NICs) are increasing in 2022/23 for employers, employees and the self-employed to help fund UK social care reform.

The 1.25% increase, effectively a health and social care levy (HSCL), will be collected through Class 1, Class 1A, Class 1B and Class 4 NICs.

Class 2 and Class 3 NIC rates remain unchanged.

NICs will return to current levels in 2023/24 when HSCL becomes a separate 1.25% charge on earnings of employees and self-employed people, including those over state pension age.

Additionally, from 1 April 2023, corporation tax will rise to 25% where company profits exceed £250,000. Companies with profits between £50,001 and £250,000 will pay 25% but with marginal relief, while those with profits of up to £50,000 will continue to pay 19%.



Changes to 'basis period' tax rules may cause cashflow issues

The planned changes to 'basis period' tax accounting is likely to impact the cashflow of some unincorporated businesses.

It is due to be introduced in 2024/25, with 2023/24 as a transitional year. This is part of the Making Tax Digital transition. The new rules are designed to simplify the tax system for self-employed individuals, partners and trusts and estates with trading income.

Some unincorporated businesses using basis period accounting have year-ends that aren't aligned with the fiscal year and benefit from 'overlap relief'.

The changes include moving the 'tax' year-end of affected businesses to align with the fiscal year and taxing them on profits within a tax year, irrespective of their accounting period. This will initially force some businesses to add additional months into the next year's profits, leaving some facing being taxed on up to 23 months' profit in one year.

Clearly, this will impact cashflow, something the government recognised during the consultation that ended in August, indicating that all existing 'overlap relief' amassed must be used to support these businesses during the transition. However, this may not cover the tax liability in all cases, and the increased profits may be spread over five years to alleviate that.

Affected businesses should act now to draw up cashflow projections and assess the timing and size of increased tax payments, and review their VAT filing timetables.

If you think your business will be affected by the changes, please get in touch with us.

Finding the right funding for your business

Now that many government-backed pandemic support schemes have ended, we highlight some of the main finance options still available to SMEs.

Protecting your cashflow
For businesses that need a hand to maintain a healthy cash flow position, these popular finance options offer a source of help.

Invoice finance – This gives a business access to money owed to it in outstanding invoices, without waiting for its debtors to pay. It's a flexible way to access funds as and when the business needs them – for example, to buy more stock ahead of a busy trading season.

Merchant cash advance – The business receives a loan which it pays back at a pre-agreed percentage of daily credit card transactions. So, in times when the business knows there'll be less money coming in, it will also pay less on its loan.

A key thing to look for in these seasonal or 'rainy day' finance routes is a transparent fee structure where you only pay for the funds you use. It's good to have flexibility to access funds quickly, but only as and when they're needed.

Recovering from the pandemic
While most of the government's special loan schemes have closed, some funding to fuel recovery after the pandemic is still available.

Recovery Loan Scheme (RLS) – This government scheme remains open and includes different kinds of finance products, offered through accredited lenders. Funding is relatively easy to access, affordable and designed to help businesses impacted by the pandemic recover faster. The scheme has been extended till 30 June 2022, but changes that come into effect from 1 January restrict RLS to just SMEs and reduce the maximum finance available to £2 million per business. The government guarantee to lenders will also drop from 80% to 70%.

Bad credit loans – These are designed to support businesses without the credit rating to gain funding from traditional sources. There are plenty of lenders in this market, so it's sensible to shop around and scrutinise the terms and conditions.

Taking your business to the next level
Most businesses recognise that growth requires investment. The good news is that there are many finance options, depending on what the business does and where the senior management want to take it.

Loans – A traditional route to a cash injection which is paid back over time. Loans are used for a myriad of reasons, for example, to move to bigger premises or even refinance another loan to get better rates. As well as banks, there are also plenty of specialist lenders. Ensure you understand the differences between providers to find the best fit.

Trade finance and purchase order finance – By providing capital to cover upfront costs, this type of funding can enable a business to take on more customers and fulfil bigger orders than it otherwise would.

Asset finance – A popular source of finance to upgrade equipment, invest in machinery or buy that key piece of kit that will help the business to be more successful.

Finding the best funding for your business
Finding the right funding might seem overwhelming, especially when most business owners are already short on time and have the day-to-day operations to consider.

Shipleys has been supporting businesses in this arena for many years. We also work closely with Capitalise, a platform which covers all the finance options above and helps to find, compare and select the right lender in a matter of minutes. As well as finding lenders who specialise in a specific industry, it also finds those most likely to give a specific business an offer.

Speak to your Shipleys contact for further information.

Game on

Continuing our series on Shipleys' sector specialisms, we talk to Terry Bourne, who leads our team servicing the video games production industry.

It's still not widely appreciated that the production of video games has become the UK's most lucrative entertainment sector, with the UK market valued at 3.5bn US dollars, according to data specialists Statista.

A favourable tax environment, in the form of video games tax relief (VGTR), has really helped homegrown companies to compete on the international stage and the UK now ranks in the top six of video game markets globally.

Securing tax relief for clients

Shipleys' specialist team enjoys working with a myriad of businesses in the sector, including coders, designers, producers and developers. Terry Bourne, team leader and audit partner, explains that assisting with the process of applying for VGTR is a major part of the service that Shipleys provides.

He says: "Some of our input is around corporate structure and helping clients to set up special purpose vehicles, which are dedicated subsidiary companies that allow them to maximise their VGTR claim. We also do the required audit work and send all the claim information to HMRC, ensuring that the claim goes through smoothly."

Terry adds: "As well as all that, you can't even make a VGTR claim unless your application has first been certified by the British Film Institute as a project that's being carried out in the UK, so we also walk the client through that process, if needed."

Big numbers

Successful VGTR claims are worth up to 20% of production costs for video gaming companies so getting applications right is important. Outsourcing that task to Shipleys, says Terry, allows clients to focus on what they do best. Meanwhile, Shipleys has helped those clients claim back roughly £500,000 through VGTR in the past two years.

Shipleys is a member of the Association for UK Interactive Entertainment (UKIE), the biggest trade body for gaming companies in the country. Terry says UKIE provides a really useful network of professional services firms that can support video game producers, while also serving as a platform for sharing best practice and keeping up to date with the latest developments around the globe.

Face-to-face networking has largely been impossible during the lockdown measures of the pandemic, but Terry's team still managed to present a virtual event last year that talked an audience of roughly 100 viewers through the process of how to make a VGTR claim.

There's more on our specialist Video Games Developer team at: *https://tinyurl.com/3v883fv6*

Tax change should help keep cameras rolling

A change to film tax relief (FTR) will introduce welcome flexibility around the qualification rules and continue to foster the UK's thriving TV and film production industry.

To qualify for FTR, production companies must demonstrate their film is intended for theatrical release to the paying public at commercial cinemas at the end of each accounting period.

While cinemas were closed during lockdown, some film productions meant for the big screen were switched to Netflix or similar digital TV platforms – a change of intention that would block access to FTR. The films would then need to qualify for high-end TV (HETV) relief, which is subject to the £1m per slot hour requirement – something that's not required to claim FTR.

However, it was announced in the autumn Budget that film production companies which switch to an intention for broadcast release will continue to qualify for FTR – even after a change in intention which means a film isn't screened at cinemas. The change will come into effect from 1 April 2022.

The initial intention is the key to determine which tax credit is to be claimed. This is to ensure television productions do not use the above allowance as a means to avoid the limit of £1m spend per broadcast hour currently imposed on HETV but not on FTR. However, this is not the intended purpose of the change in FTR rules.

More from gov.uk at: *https://tinyurl.com/3ffm8t77*

Reclaiming VAT after deregistration

You might think that once a business has deregistered from VAT it would no longer be able to reclaim any VAT – but this is not the case.

Making a claim
HMRC says that if a business...

- incurs input VAT after the date that it has deregistered for VAT on services relating to taxable supplies it made before it was deregistered, and
- sent in its final return

...it can claim that VAT back using the VAT 427 form.

It must be stressed that this ruling means:
- VAT cannot be claimed on personal expenditure
- VAT cannot be claimed on non-business activities
- Partial exemption apportionment must be applied but there is no de minimis limit. The de minimis limit is the threshold below which the exempt tax is regarded as insignificant. This doesn't apply in this case.

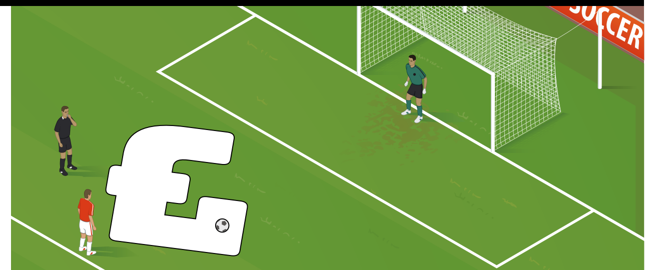
Other points
Businesses are not limited to just one claim, but a new VAT 427 form must be completed and sent to HMRC for each one. The claims window ends at four years from the deregistration date.

This route can also be used to make bad debt relief claims, and for adjusting input VAT errors for VAT that you had failed to reclaim while registered for VAT (effectively voluntary disclosures) following deregistration.

When the claim relates to errors on previous VAT returns, the 427 form can only be used for errors less than £1,000. Claims for more than this must be made on form VAT 652.

The VAT 427 form can be completed online, but it must be printed off and sent to HMRC, along with the original invoices.

You can find the form on the gov.uk website at: ***https://tinyurl.com/mk2babd3***



New penalty and interest regime could be more expensive for some businesses

A new VAT penalty and interest regime may come as a shock for many businesses when it comes into effect for VAT returns beginning on or after 1 April 2022.

The headline penalty rates make the changes appear to be less costly, but the introduction of late payment interest (LPI) means it will be a more expensive for some businesses. Under the new system:

- A penalty for the late submission of a VAT return will be £200 plus another £200 for every subsequent late submission once the penalty point threshold is reached.
- Late payment penalties will apply where the business has failed to pay or enter a formal time to pay arrangement with HMRC –

  (i) A penalty of 0% applies up to day 15 after the due date

  (ii) On day 16, a penalty will be imposed at 2% of the amount outstanding on day 15. This penalty only kicks in during 2022/23

  (iii) On day 31, the penalty will be 2% of the amount outstanding at day 15 AND 2% of the amount outstanding at day 30. (If the business has made a part payment between day 16 and day 30 the penalty rate will work out to be less than 4% overall.)

  (iv) From day 31 onwards there will be a daily penalty applied at the rate of 4% APR

- LPI applies from day 1 after the due date.

The new regime also replaces the repayment supplement with repayment interest, which will apply where a business has submitted a repayment claim VAT return. Repayment interest will kick in from day 1 but will be at Bank of England base rate less 1% subject to a minimum rate of 0.5%.

VAT backlog

HMRC's VAT teams across the UK are operating with significant backlogs of work, resulting in delays to every kind of VAT interaction – from registrations to disclosures of error on VAT returns. Only the simplest advice over the telephone is still available in the usual timescales. The backlogs are down to a combination of Covid-19 and a reorganisation within HMRC's VAT teams. In such circumstances, it's more important than ever to get expert advice from your adviser to ensure there are no mistakes in any VAT information your business submits, which could exacerbate delays. This situation is not uncommon around HMRC and other government departments.

Feeding the global appetite for digital content

There was a growing appetite for high-quality digital content even before the pandemic. Shipleys client Unit 9 is well-placed to feed that need.

Describing itself as a global production partner that "innovates content with love", Unit 9 creates popular content for film, web, mobile, games, experiential and live advertising, as well as augmented and virtual reality experiences.

Over the years, it has grown both organically and by acquisition and now has offices in Los Angeles, New York, London and Lodz. At the heart of its successful approach is the collaboration and creativity of its team of innovation architects, product designers, software engineers, gaming experts, creatives, art directors, designers, producers and film directors.

A Focus on quality

Unit 9 has always been passionate about the quality and integrity of the creative industries in which it's involved. The business is an active member of a number of industry bodies developing standards, processes and best practices.

A look at the impressive roster of global brand names it regularly supports pays testament to Unit 9's success and impressive reputation. In addition, it has won several accolades over the years, including Campaign Tech Company of the Year (in both 2021 and 2020) and AdAge Production Company of the Year (2019).

Systems assurance

Shipleys has worked with Unit 9 for many years – in particular to support its specialism in the Games arena. Given the volume of projects Unit 9 typically works on, one area of focus has been to help the business achieve its goal of strengthening financial systems and having greater rigour across all its accounting processes. This has been particularly important given the impressive growth the business has experienced, and its plans for that to continue.

Unit 9's Financial Controller, Jo-Anne Blake, says Shipleys' help has "enabled us to establish efficient systems and approaches which are easily transferable to new and different entities in the business". She also values Shipleys' "plain English" guidance on the latest statutory regulations affecting the company.

Video games tax relief

Unit 9 also turned to Shipleys for assistance to successfully claim the government's video games corporation tax relief. Jo-Anne comments: "The process of claiming the relief can be quite daunting to the unfamiliar, and it was reassuring to turn to Shipleys' specialists for help. They guided us through the process and handled the claim and liaison with the British Film Institute and HMRC on our behalf."

The tax relief can be worth up to 20% of the core production costs of a game if it meets the qualifying criteria. Shipleys and Unit 9 worked closely together to ensure claims for its games were indeed successful.

Globalisation of content and talent

The globalisation of media in recent years has meant there is a constant demand for content, as well as an explosion in potential audience sizes. Unit 9 has expanded into different territories to capitalise on fresh talent and become established in key creative communities around the world.

Group Financial Director for Unit 9, Simon Weatherseed, says Shipleys' international connections through its membership of AGN (a worldwide association of independent accounting firms) has been useful in this regard. It has enabled Unit 9 to tap into local fiscal, legislative and commercial knowledge for a specific territory when required.

A valued business partner

Simon also adds: "We have really appreciated the deep understanding Shipleys have of us. Not only are they sector specialists, they have a really good knowledge of what we do and our ambitions. This pre-established learning curve means you can have commercially focused conversations with them that are hugely helpful and productive. The firm is a good business partner for us."

Both Jo-Anne and Simon also stress they've valued their dedicated Shipleys team and the enthusiasm and interest the team continually demonstrate for Unit 9's business and objectives.

Looking ahead

With fresh technological advances and the ongoing global hunger for fresh digital content, Unit 9's innovation and creativity will no doubt remain in high demand.

Offering advice to other creative businesses, Simon Weatherseed concludes: "To achieve the growth plans of a business, it's really important to be able to call on specialist help. Select an adviser who truly understands your business and is suited to its size and stage of development. If you can gain that alignment with your advisers, you'll remove so much hassle and effort longer term. Together, you can focus solely on benefitting the business and making it a success. I thoroughly recommend Shipleys in this regard."

www.unit9.com

Recent examples of Unit 9's AR and VR work.

The image at the top of the page is taken from the JFK Moonshot AR app.

The Met Unframed

Lotus Cars/ Goodwood Festival of Speed

Thinking of exiting your business?

Our Business Club discussed some of the key considerations for business owners when finding the best approach.

There are a variety of ways to exit a business, beyond simply winding it up and ceasing to trade.

This includes passing it to another family member, selling it to employees through an Employee Ownership Trust or through a management buyout. Looking beyond the existing business, other options could be merging with another company, selling-off specific assets – such as the brand name or business property – or selling the entire enterprise through a trade sale or acquisition.

Plan ahead

Before considering any potential exit option it's important to think about what value there is in the business and to get an idea of its worth to determine who, if anyone, might be interested in it. Owners sometimes have an inflated view of a business's value, particularly if they are key to its success personally. You need to decide if the business is viable without you, or you need to stay on board in some capacity initially.

Start your exit planning well in advance – even years ahead – to focus on building the company's strengths to make it an attractive proposition to others, and addressing any weaknesses.

Advanced planning also gives you a greater opportunity to time your exit when trading or market conditions are most favourable.

Smooth transition

All exits – particularly mergers and acquisitions – are potentially disruptive and may have a big impact on the culture of the business.

It pays to be as transparent as possible about your long-term plans with staff, to take them with you on the journey and prepare for future changes, and to communicate with them clearly and regularly to make the transition as smooth as possible. An Enterprise Management Incentive share scheme may be introduced, if possible, that is beneficial to all parties.

To make the business as resilient as possible you need to anticipate and plan for potential setbacks and put in place measures to minimise their impact – for example, by taking out insurance against loss of key staff.

On a personal level, business owners will benefit if they are psychologically ready for the emotional impact of transition and releasing control of the business. This includes being prepared to deal with the pressure around the likely scrutiny involved in a buyer's due diligence process.

It's also important to find the right advisers to provide the necessary support during the exit process and make transition as stress-free as possible.

Winding up

Sometimes, however, winding up the company may be the most convenient and tax advantageous approach. However, tax-efficient extractions may require the company to be formally liquidated and you also need to ensure you do not fall within the new anti-phoenixing rules. This is as HMRC looks to tax proceeds on winding-up at income tax rates (which are higher than CGT rates). We recommend that professional advice is sought as a correctly undertaken wind-up will significantly reduce the tax burden.

There's more information on exit planning, including a summary of our recent Business Breakfast discussion on the subject on our website at:
https://tinyurl.com/yckzma4b

Tax-efficient incentives to support staff retention

Retaining valued staff in a tough employment market is challenging, but there are a number of tax-efficient ways to help incentivise people to stay.

Contributing to an **employee pension scheme** is a highly tax efficient way to remunerate staff and often the most important benefit prospective employees look for.

You can also help employees progress through their careers with tax-deductible **vocational training** that will reduce your corporate tax bill.

Providing staff with **mobile phones** is a useful tax-free benefit and if they're **home-working** you can also pay them £26 a month tax-free allowance towards their expenses. If an employee has to move home for work, you can pay them a tax-free **relocation allowance** of up to £8,000, albeit subject to strict HMRC qualifying rules.

Salary sacrifice schemes – where employees give up part of their salary each month to, for example, purchase a bike through the **cycle to work scheme** or payments into **pension schemes** – are a win-win as employees pay less income tax and both sides reduce their NICs.

Make the most of the £150 per-person per-year **social events and activities allowance** to pay for occasions like office parties, without staff incurring benefit in kind liabilities.

HMRC's **trivial benefits** rules allow you not to pay tax on a benefit for your employee of up to £50 if it isn't cash or a cash voucher, and isn't a reward for work of in the terms of their contract. This can be used multiple times through the year.

It's important to remember any benefits have strict rules and can potentially impact on employees' tax and NIC liabilities, so speak to us for expert advice before implementing them.

Understanding the tax implications of divorce

Tax may not be uppermost on the minds of a couple getting divorced, but a well-drafted settlement can minimise tax liabilities during the upheaval. Here is a brief summary of some of the key tax points to bear in mind.

For people who are getting divorced it's important not to underestimate the tax impact when drawing up a settlement.

Income tax, capital gains tax (CGT) and inheritance tax (IHT) all need to be addressed and it's vital to get expert advice on these and other tax-related issues.

CGT ground rules

While there's no immediate IHT or income tax charge for assets transferred under a divorce settlement, there are immediate CGT considerations following permanent separation.

Gains on residential property are taxed at 18% for basic rate taxpayers and 28% for higher rate taxpayers. Most other gains are generally taxed at 10% or 20%. Additionally, 10% Business Asset Disposal Relief (formerly Entrepreneurs' Relief) must be claimed by no later than one year from the 31 January following the tax year of the asset's disposal, and is subject to a lifetime limit of £1m.

Cars, assets valued below £6,000 and foreign currency are exempt from CGT.

Tax implications of property sales

Where a family home is sold under a divorce settlement, the gain is CGT-exempt, providing contracts are exchanged within nine months of one spouse leaving the property.

Equally, if the family home is solely in the departing spouses' name or jointly owned, no CGT applies if it's transferred to the remaining partner and it has been their main residence up to the point of transfer. CGT does apply if the departing spouse has elected another property as their main residence.

Where foreign properties are transferred under the divorce settlement, foreign currency movements may impact CGT and local taxation issues must also be considered.

Income tax

For income tax purposes, individuals are treated as 'no longer married' from the date of permanent separation. Spouses are taxed independently during separation and after a Decree Absolute.

Any income from interest-earning assets, such as shares or bank accounts, allocated to an individual in a divorce settlement is subject to income tax.

Inheritance tax

Throughout a period of separation and until a Decree Absolute is pronounced, transfers between spouses or civil partners are exempt from IHT.

There's a £325,000 lifetime limit for transfers made from a UK domiciled spouse to a non-domiciled spouse, but no limit for a non-UK domiciled spouse transferring to a UK-domiciled spouse, nor where both parties are non-domiciled.

After the Decree Absolute, property transfers are IHT-exempt if there's no 'gratuitous benefit' for the recipient. Other kinds of transfers are treated as potentially exempt, providing the donor survives for seven years afterwards. Maintenance payments are also IHT-exempt.

Given the financial complexities involved, we strongly recommend getting specific advice before making a divorce settlement.

For further advice and information, please visit:
https://tinyurl.com/bv5fvvh7
or speak to your usual Shipleys contact.

Post-Brexit rules impacting British-owned properties in France

For Britons owning a holiday home or other property in France, some recently introduced rule changes may have significant financial implications.

For example, as a UK citizen you can face a surcharge of as much as 60% on local council tax charges, depending on the property's location.

Since Brexit, Britons can only spend 90 days in the EU in any 180-day period without a visa. They face increasing levels of paperwork, rising travel and removals charges, stricter Covid testing rules, and rising duties between Britain and the EU. All factors that are pushing up the cost of ownership.

Selling up is getting more costly, too. For any sale exceeding €150,000 you're required to appoint a fiscal representative charging between 0.7% and 1.5% of the proceeds. You can at least choose your own representative, so it pays to find one with reasonable fees.

On top of that, any non-EU citizens selling a French property now have to pay a higher social levy of 17.2%, which, combined with increased capital gains tax of 19%, can result in charges totalling up to 36.2% on your sale.

If you have a property in France we can help you navigate some of the post-Brexit taxation changes and find suitable, affordable representatives locally. More at:
https://tinyurl.com/htfrmy3y

For further information, please contact one of our offices:

London
10 Orange Street
Haymarket
London
WC2H 7DQ
T +44 (0)20 7312 0000
E advice@shipleys.com

Godalming
5 Godalming Business Centre
Woolsack Way
Godalming
Surrey GU7 1XW
T +44 (0)1483 423607
E godalming@shipleys.com

www.shipleys.com

@Shipleys_LLP

Shipleys LLP