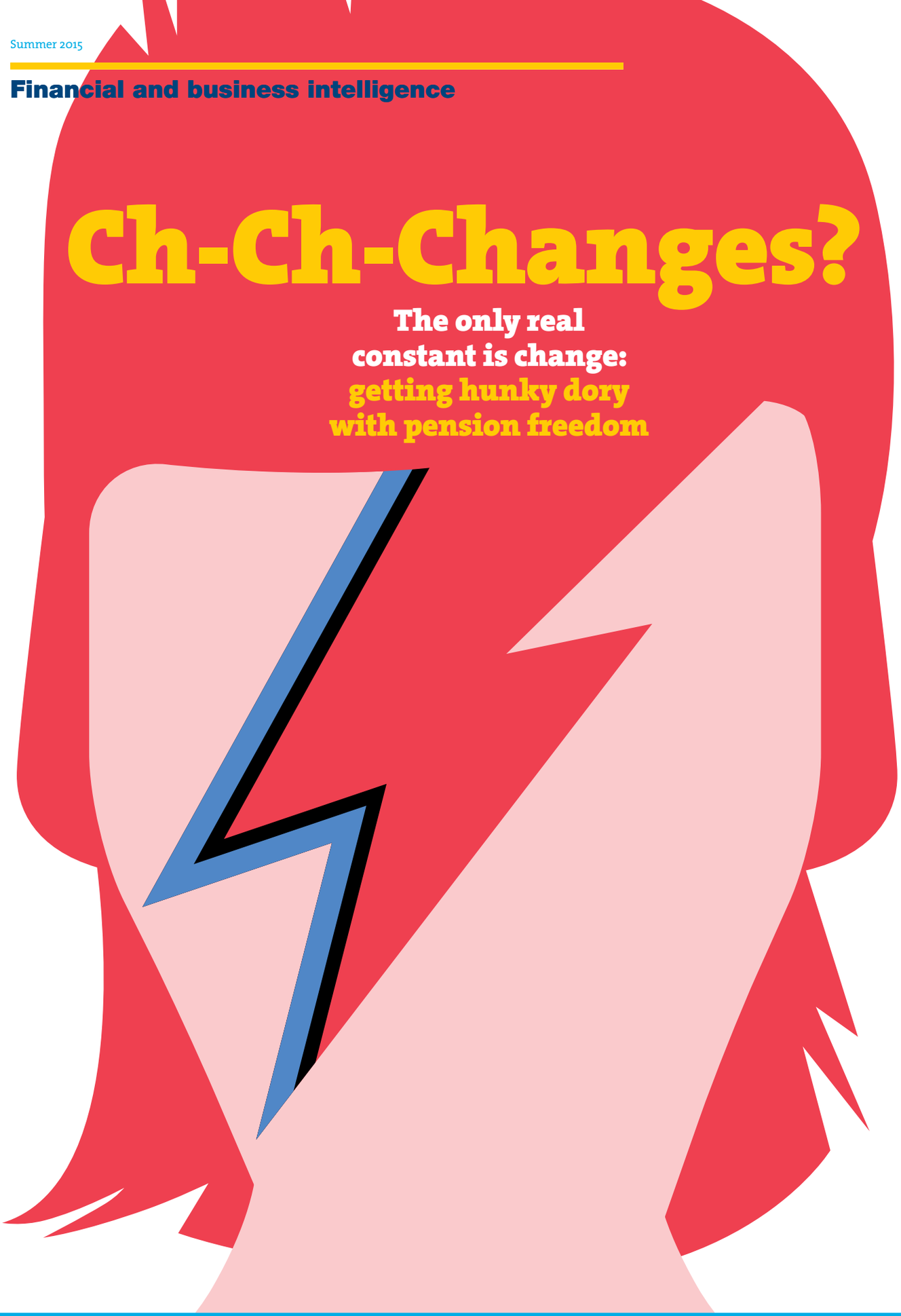
Summer 2015

Financial and business intelligence

# SHIPSHAPE

# Ch-Ch-Changes?

## The only real constant is change: getting hunky dory with pension freedom



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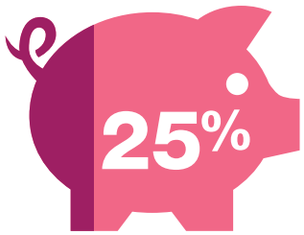


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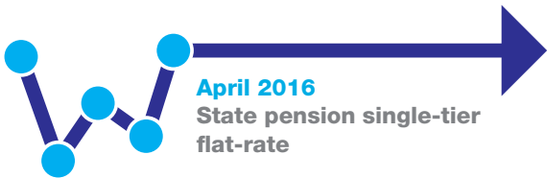

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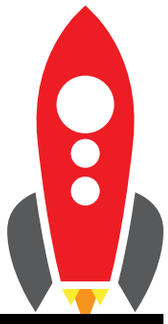

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Shipleys LLP is a firm of chartered accountants and business advisers. *Shipshape* is our regular newsletter for clients and contacts.

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


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


Designed and co-edited by Thirdperson.co.uk

**Viewpoint: Ken Roberts hands over to Simon Robinson**
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# Ch-Ch-Ch-Ch-Changes?

Remember the General Election? One of the most striking things about it was that no-one seemed to see the result coming. On the face of it, voters had more choice than before, but it's interesting that they apparently didn't want to make their real choices known to opinion pollsters, if the pre-election polls were anything to go by.

With the counting over and the swingometers packed away for another parliament, we could be forgiven for breathing a sigh of relief at the prospect of at least some degree of certainty. Sadly, it's not likely to last very long, with the prospect of an early EU referendum and further wrangling over Scotland looming large.

The election was a distraction from many big choices for individuals and businesses, as they weighed up their political options. One pressing example is the issue of pensions. Now the dust has settled people and businesses can turn their attention once more to this hot topic. In this edition we take a look at some of the pension choices for employees and the pensions obligations on employers, namely auto-enrolment. With every option there's usually a corresponding obligation and, as with a general election, not everyone always gets what they want.

So, the times they are a changin', not only in parliament but here at Shipleys. After five years I finish my term as managing partner and hand over the reins to Simon Robinson – a case of over, but not out.

The last five years have thrown up many challenges for the people and businesses we look after with the after-effects of the financial crisis permeating through the economy. It's been an interesting time with some tough decisions made along the way. I'm pleased to hand over with the firm in good shape. Unlike Labour's Liam Byrne following the 2010 election, I'm glad to report that I have not had to leave a note to Simon saying "there's no money left" and it goes without saying that Simon will do a great job in leading Shipleys through a new era of opportunity.

I have some big shoes to fill as I take on the role of managing partner. I would like to take this opportunity to thank Ken for all his hard work and congratulate him on doing a great job over the last five years.

As my clients know, I can be very hands-on – getting involved in the detail of their finances. However, they also know that, when possible, I like to take a more strategic approach – so I'm looking forward to doing more of that here in my new role. We have a great team at Shipleys and I believe that ongoing development and investment in people is one of the key ingredients to success.

It's all very well setting 'service standards' in the way that some big corporations do, but I'm not convinced that this always has a beneficial impact on people's actual behaviour. In my opinion, it's far better to invest in the development of people and allow the firm to develop with them – providing a workplace environment that encourages and enables everyone to fulfill their own unique potential. This is more relevant today than ever.

Investing in people means you arm your team with the right skills to perform well in their roles and leads to empowerment and new opportunities through promotion.

And on this very topic I'm delighted to congratulate Agi and Rob on being promoted to principal – more about this on page 8. Shipleys already has a reputation as a good place to work and that's something we are determined to build on.

I look forward to sharing views and further successes with you in future editions of *Shipshape* – and expect the music references to rush headlong into the 80's – Relax.

**8 July**
**Budget Day**

**IHT-free**

**Pension funds IHT-free if death before 75**

**%**

**tax on savings income of £5,000**

# Pension rules

***Major changes to the pensions rules came into force on 6 April. How will you be affected and what should you consider doing?***

If you have a defined contribution pension scheme the big changes are:

- you can now access your pension fund pretty much as you wish once you are 55 (57 from 2028). This isn't linked to stopping work unless you want to access your pension early because of ill health
- your fund is free of inheritance tax (IHT) if you die under 75.

Members of private sector defined benefit (also known as final salary) schemes may also be able to convert to a defined contribution scheme to take advantage of the new rules.

And from April 2016, those who have already purchased an annuity might be able to sell it and get a lump sum back into their pension as the Government is proposing to change the rules.

Of course in all instances you need to balance the income and lump sums you take against your income requirements for the rest of your life. You can take the whole lot in one year if you wish but then none is left for you to pay yourself a pension in the years ahead.

Not all providers offer every option so you might need to transfer your pot to someone else – but if you do, you need to watch out for charges.

You can also combine the two approaches, for example, if your pension fund is worth £600,000 you could:

- take 25% as tax-free cash, which is £150,000
- use £200,000 to buy an annuity – giving you taxable income for the rest of your life of about £9,000 a year
- put £250,000 into a flexi-access drawdown fund from which you choose to take out £25,000 per annum (taxable) for about ten years.

## Take your money flexibly

There are now two ways you can get a flexible income from your pension pot. The main differences are how you take the tax-free part and what sort of income you want.

**1** **Taking lump sums of cash – your pot stays where it is and every time you take out cash, 25% of the amount is tax free and 75% is taxed as income, at whatever rate applies to you. This is sometimes referred to as uncrystallised fund pension lump sums (UFPLS).**

**2** **Getting a flexible income – you can take 25% of your whole pension pot as a single, tax-free cash sum. The rest is invested within six months but still inside your pension fund (you can choose different investments with different risks) and whatever you choose to take out by way of a pension is taxed as your income – again at whatever rate applies to you. This option is known as flexi-access drawdown. Most providers won't allow you to do this if your fund is less than £30,000, because after taking 25% tax free the £22,500 remaining won't provide much of a monthly income for the rest of your life and it isn't worth the admin.**

# to smile about

## Defined contribution pension plans

**(formerly known as money purchase arrangements)**

Contributions are invested to build up a pension pot, which in the past was usually used to buy an annuity. An annuity is simply an insurance policy that guarantees you a regular income for the rest of your life. In effect, your pension provider is taking a gamble on how long you will live and therefore how much it needs to pay out. As life expectancy has increased the amounts payable under annuities have come right down.

## Types of annuity

**Single annuity** – only you get paid an income either for life or for a fixed number of years
**Joint annuity** – payments continue to your spouse/partner after you die
**Guaranteed period** – you fix the number of years where payments to your spouse/partner continue after you die (sometimes this can be a lump sum)
**Escalating annuity** – increases every year to reduce the effect of inflation
**Enhanced annuity** – if your health is bad you may get more money from your annuity

## Food for thought

**Saving IHT**
Because your pension pot when you are under 75 is outside your estate for IHT, it might make sense to spend other savings, such as those in an ISA, in preference to drawing your pension. The idea is that when you die, what's left in your estate is a pension pot exempt from IHT.

If you die aged 75 or over, you can choose who to leave your remaining pension pot to. Your beneficiaries can draw their shares as they wish – either in one year or over several – and whatever they take is taxed as their additional income for that year.

**Mortgage**
One new idea is to use your pension as a savings vehicle to build up a lump sum to repay your mortgage, instead of chipping away at the mortgage capital each month through a repayment mortgage. You'll need to have or switch to an interest-only mortgage.

The main idea is to take advantage of the tax relief on your contributions, the tax-free income and growth within the pension fund and the availability of a 25% tax-free lump sum.

A long-term strategy like this carries risks. The rules might change for the worse in the interim – notably in relation to tax-free lump sums, higher-rate relief on contributions, contribution limits and flexible access.

**Pension investments**
Some people with personal pension plans which may have limited investment opportunities are considering converting their funds to self-invested pension plans. These can be more expensive to run but are far more flexible for those who want to use their pension to get involved in things like peer-to-peer lending, crowdfunding or any of the other emerging UK-based investment markets, including social enterprises such as wind turbines and other investments with social or community benefits.

**Scams and traps**
Some companies offer to help you get money out of your pension before you're 55. This could be an unauthorised payment and you'd pay up to 55% tax on it.

Great care is required when deciding on your pension strategy as the rules are complicated, the sums involved can be considerable and the consequences of getting it wrong are potentially financially disastrous. As well as advice from us on the tax consequences of different courses of action, you may well need advice from an Independent Financial Adviser or pension specialist.

Pension scheme advantages
Contributions form both employers and employees to pension schemes, which are approved by HMRC, benefit from tax relief. In certain schemes, including some which comply with the auto-enrolment rules, employees' contributions are paid from pre-tax pay – so they automatically get tax relief at source at their highest marginal rate. These so-called trust-based schemes are generally only used where there are a large number of members. By contrast, contributions to other schemes, such as group personal pension schemes are made net of basic-rate tax and the pension administrator reclaims this tax from HMRC. If the individual is a higher-rate taxpayer, the difference between the higher-rate relief and the tax relief given through the contributions needs to be claimed in the individual's tax return. The notice of coding – which determines how much tax is deducted from your earnings – may also be amended based on the contributions which are expected to be made. This means that the additional higher-rate tax relief is given throughout the year rather than having to be claimed (and possibly refunded) after each 5 April.

# Are you ready?

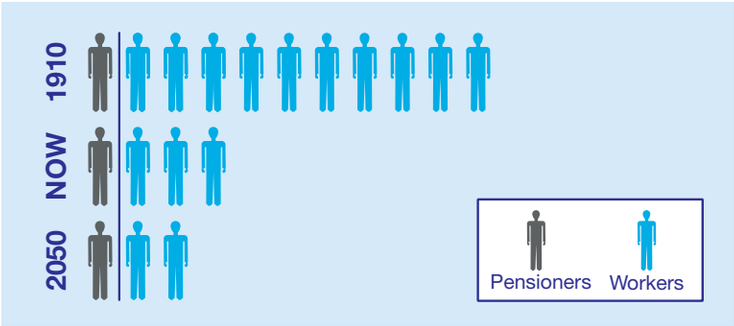
## A guide to pensions auto-enrolment

**Pension auto-enrolment rules have been phased in since October 2012 requiring employers to enrol eligible employees and make contributions into a qualifying workplace pension scheme. If you're an employer, read on to find out what you need to do.**

Pensions auto-enrolment is automatic for your staff – they don't have to do anything to be enrolled in your pension scheme. But it's not automatic for employers – you must take action to ensure that eligible employees are enrolled.

The auto-enrolment legislation has been applied to the largest employers first. Now smaller employers are being affected and over a million will be required to comply in the months ahead.

**What's the big idea?**
Pensions auto-enrolment was introduced to ensure people have enough money put aside for their retirement. The normal state pension in 2015/16 is £116 per week. Back in 1910 when it was introduced, there were ten workers for every retired person, now there are three and in 2050 it's projected that there will be just two. In the future, pensioners won't be able to rely on tax and National Insurance contributions (NICs) from workers to pay them a decent pension. They need to have their own pension pots.




**Contribution levels**

| | To 30 September 2017 | 1 October 2017 to 30 September 2018 | From 1 October 2018 |
|---|---|---|---|
| Employer – minimum contribution | 1% | 2% | 3% |
| Employee (gross) | 1% | 3% | 5% |

Contributions are only required to be made in relation to earnings between the NI primary threshold (2015/16 = £5,824 and the upper limit (2015/16 = £42,385).

**Surely I'm not affected?**
If you are the sole director of your own company and there are no other employees then you don't have to implement an auto-enrolment pension scheme. However, you will still need to notify The Pensions Regulator (TPR) in writing.

The rules covering husband and wife or family companies are extremely complicated with no clear logic to their application. The decision as to whether or not auto-enrolment applies can depend on factors such as whether some or all employees are directors or whether employment contracts are in place. If you think this could affect you, please ask us for help with clarifying your position.

**What do I actually need to do?**
TPR has already written to all employers to tell them the date by which they need to have implemented their scheme.

You can check your staging date on the TPR website: *www.thepensionsregulator.gov.uk/employers/staging-date.aspx*

**Between now and your staging date**

**You need to:**

- assess your workforce to work out who needs to be included (see below)
- review current pension arrangements to see whether you can use an existing scheme, whether it needs to be amended or whether something new is required
- communicate the changes to all your employees.

**At staging and beyond**

**You need to:**

- manage opt ins and joiners, automatically enrol new employees and those who have become eligible, including re-enrolling those who opted out

three years ago (employers must re-enrol an employee every three years even if they've opted out)

- process those who opt out
- calculate employers' and employees' contributions
- ensure employees' contributions are deducted from their earnings
- pay and allocate all contributions to each employee's pot with the pension provider
- register with the TPR and keep records.

**Getting help**

We are not able to help you with all aspects of auto-enrolment and you are likely to need assistance from an Independent Financial Adviser (IFA). An IFA is permitted to assess your needs, recommend suitable pensions providers and help you with its implementation – perhaps making a presentation to your staff, for example.

If you would like an introduction to an IFA familiar with the auto-enrolment rules we would be happy to help. We have clarified the scope of the work needed so that some IFAs will provide fixed fee options if required.

**Counting the costs**

As well as the costs of pension contributions for your employees, additional payroll work may be required. This can vary considerably. Where there is clarity over the division of responsibilities and there are clear procedures for exchanging information, the time required to run the payroll with pensions auto-enrolment is around 20% more than it was before.

However, if the information exchange process with the auto-enrolment provider is not so clear, or more complex, the cost of running the payroll can easily double. So selection of the right provider is key.

**Getting help with your auto-enrolment pensions administration**

Factors to consider when assessing a potential pensions auto-enrolment administrator (which may effectively be a software package), include:

- employee communication, pension and administration issues
- interface to the payroll system you use
- no license fees or direct charges to the employer
- no complicated decisions on how to comply
- no risk of non-compliance fines
- employee queries.

There are several providers of auto-enrolment services and of course numerous potential pension investments. You or your IFA will need to decide which providers are appropriate for you and your employees.

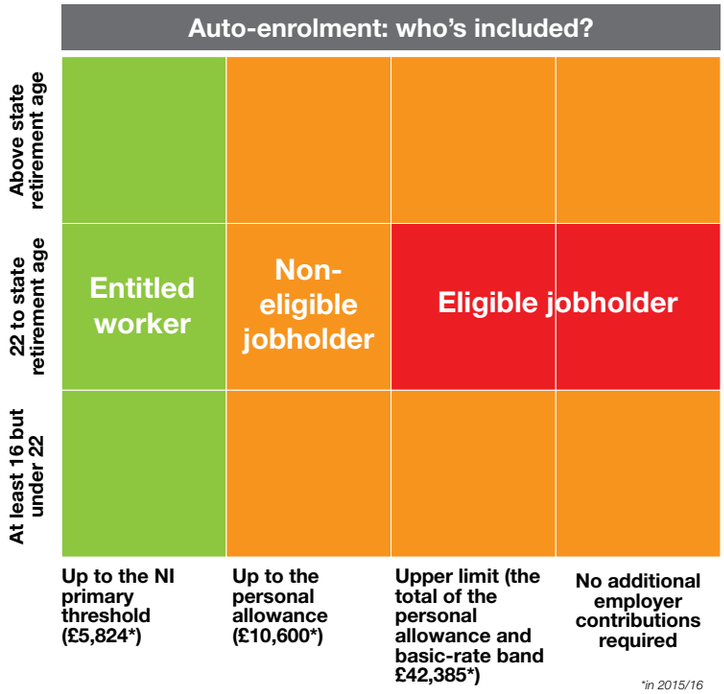
**Summary**

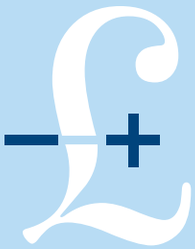
One commentator has suggested that to deal with the whole auto-enrolment process yourself could take around 103 man days, so you may require outside assistance. However, there are concerns as many providers are already at full capacity and won't take on any more schemes. So, the sooner auto-enrolment is addressed the better. For more information about pensions auto-enrolment go to: *www.shipleys.com/resources/issue/auto-enrolment-basic-steps*

Entitled worker: If they apply you must enrol them but no employer contributions are required

Non-eligible jobholder: They can opt in and if they do, then employers have to make contributions

Eligible jobholder: Must be enrolled and contributions paid in relation to earnings up to the upper limit





# Summer Budget highlights

**Income tax** personal allowance is £11,000 and higher rate threshold £43,000 for 2016/17.

**Dividend tax credits** abolished from 6 April 2016. The first £5,000 of dividend income will be tax-free, while on the excess basic rate taxpayers will pay 7.5%, higher rate taxpayers 32.5% and additional rate taxpayers 38.1%.

The £40,000 annual cap on tax-deductible **pension contributions** is to be tapered for those whose income exceeds £110,000. From April 2016 it will be £10,000 for those with incomes over £150,000.

Income tax relief for interest paid by **landlords** on **residential** property will be restricted to 20% on 25% of their finance costs in 2017/18, 50% in 2018/19, 75% in 2019/20 and all of these costs thereafter. From April 2016, the 'wear and tear allowance' for furnished lettings will be abolished, with tax relief only when landlords replace furnishings.

For **inheritance tax** (IHT) an additional transferable nil-rate band will be available on death after 5 April 2017 on homes bequeathed to children or grandchildren. The extra band will be £100,000 for deaths in 2017/18, rising each year to reach up to £175,000 from 6 April 2020 (£325,000 nil-rate band plus £175,000 extra allowance for each spouse equals the £1m announced by the Chancellor).

From 6 April 2017 **deemed domiciled status** will apply for income tax, capital gains tax and IHT to non-domiciled individuals who have been resident in the UK for 15 of the past 20 years. UK IHT will apply to residential property in the UK owned by an offshore company.

**Corporation tax** rate will be 19% from 1 April 2017, 18% from 1 April 2020.

Corporation tax relief will not be given for the depreciation of **goodwill** (acquired from 8 July 2015) until it is sold.

For accounting periods beginning after March 2017, **corporation tax** payable by companies with annual profits of £20m or more will be due in the 3rd, 6th, 9th and 12th months.

**Annual investment allowance**, currently £500,000 is to be set at £200,000 from January 2016.

**NIC employment allowance** will increase by a further £1,000 to £3,000 from April 2016.

For more on the Budget, visit:
*www.shipleys.com/resources/issue/summer-budget-2015*

## Savings income and gift aid

From 2015/16 the tax rate on savings income (interest and dividends) is 0% on £5,000 less the excess of other income over allowances and reliefs. So, someone with up to £5,000 savings income and only £10,600 of other income, which is therefore covered by the personal allowance, will have no income tax liability – unless they have made gift aid donations. If they have, they will have a tax liability equal to the basic-rate tax notionally deducted from such donations.


## Scottish taxes

The Scottish Land & Buildings Transaction Tax has replaced Stamp Duty Land Tax (SDLT) from 6 April 2015. Scottish rates of income tax will apply to non-savings income for Scottish taxpayers from 6 April 2016. Those who may be affected, particularly employers, will need to review their position.

## Non-resident capital gains tax returns

The first CGT returns for non-residents have already fallen due. Any disposal of UK residential property after 5 April 2015 has to be reported within 30 days – even if there is no tax liability. Any tax liability has to be paid at the same time unless an ordinary UK self-assessment tax return is being filed.

## Double taxation of inheritance and gifts in Europe

Two recent decisions by the European Court of Justice are expected to lead to EU member states adjusting their domestic laws and adopting unilateral measures to eliminate double taxation in the field of inheritance and gifts. This is an issue to be watched.

## Small Business Enterprise and Employment Act 2015

Among the changes introduced by this Act are:

- bearer shares are prohibited from 26 May 2015 with a nine-month transitional period for existing holders
- corporate directors are to be prohibited from October 2015 with a nine-month transitional period for existing directors
- a public register of people with significant control of unlisted entities is to be introduced from January 2016.

## Two-year countdown to new EU anti-money laundering regulations.

The European Parliament has formally voted to adopt a new Money Laundering Directive which is expected to set off a two-year countdown for inclusion in the national laws of each member state.

A major part of this is the introduction of compulsory registers of beneficial ownership in all EU countries applying to both companies and trusts. Unrestricted access to the registers will generally be granted to 'competent authorities' such as national tax authorities and law enforcement agencies, and to 'obliged entities' such as banks conducting due diligence checks. However, access will also be allowed to certain people who can demonstrate a 'legitimate interest', such as investigative journalists and other 'concerned citizens'.

## Offshore bank accounts (FATCA reporting)

Some relaxations have been made to the US Foreign Account Tax Compliance Act (FATCA) reporting criteria. These affect UK financial institutions which previously filed nil returns and changes the definition of financial institution. More details are available at *http://tinyurl.com/kft6m4e.*

## Abolition of employers' NIC for under 21s

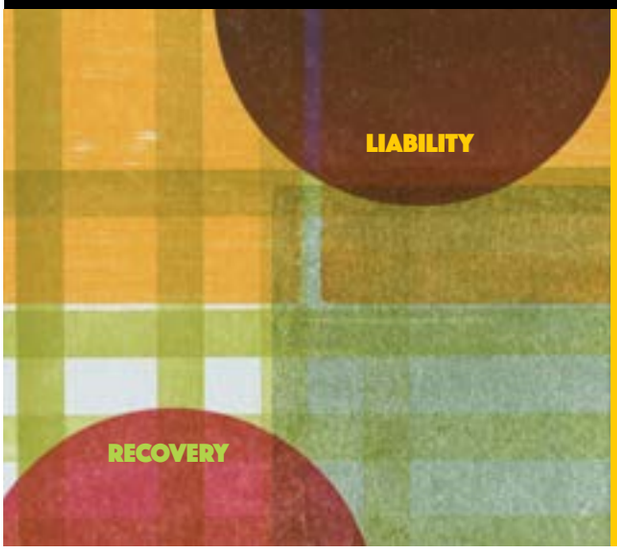

Employers with employees over the age of 16, but under the age of 21 on or after 6 April this year, don't have to pay Class 1 secondary (employers) contributions on earnings up to the 'upper secondary threshold' of £815 per week. This doesn't apply if the employee is earning above this threshold – or to NIC on benefits in kind. Affected employers should take note of the new NIC category letters which have been introduced to effect this change.

# State retirement pension changes

From 12 October 2015 to 5 April 2017, a man born before 6 April 1951 or a woman born before 6 April 1953 may make a single Class 3A National Insurance contribution (NIC) to buy an addition to their State Retirement Pension of up to £25 a week. For example, someone aged 68 in October 2015 may buy an extra £25 a week for a single payment of £20,675. See *www.bit.ly/1wXg7Rz*.

From April 2016 the state pension becomes a single-tier flat-rate pension. This will affect everyone who reaches state pension age after 5 April 2016 (63 for women and 65 for men). The maximum state pension for 2016/17 is expected to be about £150 a week. Full entitlement will depend on having 35 qualifying years. Those who have built up an entitlement exceeding the new figure will stay at that higher level. It's therefore worth getting a pension statement before April 2016 to work out whether to make further contributions, including the new Class 3A contribution.

# VAT corner %




## Pension fund management

Pension fund management may not seem that interesting but it's been a hot topic in the world of VAT recently. The source of the interest is a succession of court cases (PPG Holdings, Wheels Common Investment Fund and ATP Pension Services) that examined two important matters:

1. Should pension fund management charges be subject to VAT?
2. If the charges do attract VAT how much of it can be recovered by the employer?

The final outcome of each case and the implications for UK VAT have been publicised by HMRC in a series of Revenue & Customs Briefs, available on the HMRC section of the gov.uk website.

### The main points to emerge

#### 1. VAT liability

The VAT liability of pension fund management services depends on the type of pension scheme. Management of direct contribution schemes (also known as money purchase) is exempt from VAT. UK VAT law must, therefore, be changed to reflect this and pension fund managers can claim refunds of overpaid VAT from HMRC (subject to the normal four year cap and partial exemption). The refunds must then be passed on to the employer businesses.

Management of defined benefit schemes (also known as final salary schemes) remains subject to VAT at the full 20%.

#### 2. VAT recovery

As the management of direct contribution schemes is exempt there should be no VAT on the fees. If VAT is being charged it must be refunded by the manager rather than being claimed from HMRC.

Management of defined benefit schemes remains subject to VAT. However, the amount of VAT that the employer can recover from HMRC may now be higher as it should no longer be restricted to set up and administration costs, and will now include costs of managing the assets of the scheme as well.

The employer business will need a VAT invoice addressed to it in order to make a claim for recovery and will, therefore, need to be party to the agreement with the fund manager. HMRC has confirmed that a tripartite contract involving the employer, trustees and manager is an acceptable means of achieving this.

The employer must also pay for the service but not seek reimbursement from the trustees as that would be regarded as an onward VATable supply which would cancel out the VAT recovery benefit. HMRC confirms that it would, instead, be acceptable for the employer to pay lower contributions.

## Shipleys news

### Expanding our team of principals

Shipleys is delighted to announce the promotion of **Agi Ambrosewicz** and **Rob Wood** to principal.


Agi joined Shipleys in 2010 as a senior auditor, becoming a manager in 2011. She provides audit, accounting, tax and secretarial compliance services to clients ranging from owner-managed businesses to AIM-listed companies and large groups – predominantly in the entertainment and media sector.

Rob joined Shipleys in 2007 to complete his ACA training and now works predominantly with clients in the financial services sector, specialising in FCA regulated clients and investment funds. Rob also has extensive in corporate finance experience, undertaking due diligence, business valuations and financial modelling.

*"This news has been a big surprise as I didn't expect it so soon. I am very happy and proud because I feel my efforts over the last four and a half years have had a positive result.*
*My new position is a great responsibility, as well as a fantastic opportunity to demonstrate all I have learned and to keep working for our firm's and our clients' success."*
**Agi Ambrosewicz**

*'I'm delighted to be appointed a principal and to be leading the firm's financial services team."*
**Rob Wood**

shipleys LLP Alumni

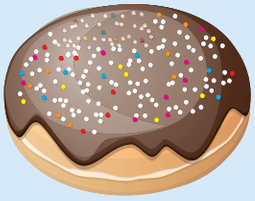
### Where are they now?

New start for James

**James Eyre** joined Shipleys in September 2006 as an audit senior and left the firm after four years to join Revcap, a leading European investor, as financial accountant. In May 2014, he took on a new role as finance business partner for Save the Children UK working on a new initiative called the Start Network www.start-network.org. This is a brand new charity that will leave the Save the Children Group and become its own independent entity.

The Start Network is a consortium of large non-governmental organisations aiming to modernise the humanitarian sector and effecting change. James provides strategic advice on how funding should be used and how the 'business' side of removing the Start Network from Save the Children needs to happen.

### Tuck shop fundraising efforts



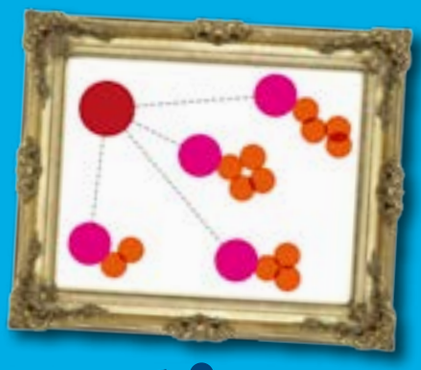
Shipleys has recently made several charitable donations, including £925 in the last 14 months through the Shipleys 'tuck shop', split between the Neuroblastoma Children's Cancer Alliance, Matthew's Friends and the Poppy Appeal. This is more than double last year's donations.

An additional £313.45 was raised for the Poppy Appeal through the sale of centenary badges and wristbands.

Many thanks to everyone who contributed.

## Mind your own business

# The art of delegation



It can be difficult to make time to step back and look at what we should be doing instead of getting on with what's in front of us. Delegating can help, but only if you get it right.

Done well, delegation saves time, can contribute to improved profitability and reduces reliance on external hires. It can also enable you to undertake more challenging or rewarding activities, such as strategic leadership. Effective delegation can also motivate and develop employees, giving them experience and confidence to take on more responsibility and creating a rewarding work environment. Handled poorly, it can cause confusion, frustration and de-motivation.

**Six W's of delegation**

**What?**
- Decide what to delegate and what tasks you need to undertake yourself.
- Delegate complete tasks not unconnected activities whenever possible.

**Who?**
- Does someone else have the skills, knowledge and experience required?
- Is there an opportunity to develop someone in line with their career goals and job aspirations?
- Is it appropriate to 'delegate' to someone outside your organisation?

**Why?**
- Motivate and build commitment by discussing the all-round benefits of success (money, promotion, recognition, gratitude).
- Include people in the delegation process – why were they chosen?

**Which way?**
- Focus on the desired result not how the task should be tackled.
- Delegate responsibility but recognise you must retain ultimate accountability for the outcome.
- Monitor results – technology can play a useful part in tracking progress.

**With what?**
- What resources does the person need to carry out the task effectively?
- What input do they need from you?
- To what extent have you delegated the ability to make decisions?

**When?**
- Delegate early, when there's still sufficient time to delegate effectively (don't delegate a 'hospital pass'!).
- Try to delegate complete tasks not isolated sub-tasks.

For more information view our 'Delegating effectively – good practice guide': *www.shipleys.com/business-club/past-meetings/delegating-effectively-good-practice-guide*

# On the right track

Now 65 years old, Lowery took the decision in 2007 to focus solely on providing engineering and construction solutions for the rail sector on both signal and power supply projects.

Says Managing Director Mark Gubbins: "If not a boom time for anyone working in the rail industry, it's certainly a golden opportunity with both London Underground and Network Rail, two of our most important customers, pursuing major expansion programmes because we're ideally set to service both."

At the moment, 50% of Lowery's work is on Crossrail – the 118-kilometre east-west rail route across Greater London, which is Europe's largest construction project. A further 25% of the company's contracts are with Network Rail and the final 25% is with London Underground.

**Trackside cables**

Explaining in more detail what the company does, Mark says: "We don't build bridges, what we normally do is install the cable route management systems which involves laying the trackside concrete troughs, undertrack crossings or putting up the steelwork to contain the cables and then testing and commissioning them into service."

He adds: "We decided to focus on the rail sector because we were already had an excellent reputation as contractor in that field and because the margins are viable. Anyone can dig up a road but to get rail industry work there are a number of qualifications and competencies you have to master and hurdles you have to jump over to even get into a place where you can even tender for work."

***Huge investment by London Underground and Network Rail is a "golden opportunity" that civil engineering company Lowery is taking full advantage of.***

Mark believes the company's relationship with its customers is at the heart of its success. "We've a good reputation in the industry because we deliver on what we promise. We also have numerous commendations on the Crossrail project. We're the first contractor on power supply projects for London Underground to be awarded a Beacon health and safety award. And working with Network Rail on its power programme we have an excellent track record in hitting our delivery targets."

**Honesty is the best policy**

"We pride ourselves on being honest. If we think we can't do the job, we will say so. For example, around 18 months ago there was an instance on a competitive tender when we told the prospective client we just couldn't see a way that just one contractor could complete the work by the deadline they set. Another contractor said they could and got the job but they were 18 months late in delivering. It doesn't make you feel any better about losing the contract but at the end of the day we were proved right."

In common with the engineering sector as a whole, Mark reveals the main challenge for Lowery is the UK skills gap. "There are all these competencies and audits to qualify for the work and now there's the situation where there's only a handful of contractors who can do the work. So, recruitment and then retention of competent staff is a challenge."

**Management buyout**

Shipleys carries out Lowery's audit and has enjoyed a relationship with the company that goes back to the mid-70s. More recently Shipleys was "instrumental", says Mark, in guiding the company through a management buyout. The process took 12 months in total before completion in March this year. Mark adds: "Working with Shipleys gave everyone involved confidence that we were being represented in the right way."

Lowery's plans for the future are to "grow steadily and manageably", says Mark. "We're not looking to conquer the world; the market we're in may be one of the growth industries in the country but our philosophy is to do things well and to grow steadily."

It certainly appears that they're on the right tracks.

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# Where there's a will there's (usually) a way

*Intestacy rules may result in unwanted consequences for your estate and complications for your family.*

**Most people know they ought to make a will but this may not always be enough. Your executors' task is made much simpler if you keep a note of important matters with your will. This could range from names and addresses of your bank, accountant, solicitor, stockbroker, etc. to access details for online accounts, as well as lists of assets and liabilities (which will of course change from time to time). A model Personal Affairs Checklist is available at *www.shipleys.com/resources/useful-tools.***

**A different destination**

Even if you make a valid will, local laws of succession may change the destination of your estate. This is apart from claims that may be made by those who think they are entitled to more under your will. Your domicile, your nationality or 'habitual residence' in countries other than the UK (not necessarily the same as your UK tax residence) and the location of assets can all be relevant. For example, in most other European countries, surviving children are entitled to a share in your estate; it can't all go to a surviving spouse. Even Scots law gives children certain prior rights. Note that someone domiciled in the UK is actually domiciled in either England and Wales, Scotland or Northern Ireland (each has different intestacy laws).

**EU changes**

The EU Succession Regulations change succession law in the European Union with effect from 17 August 2015. The testator will be allowed to designate in their will the national law to govern succession as a whole. For most of those domiciled in the UK this should avoid the 'forced heirship' laws which prevail elsewhere in Europe. The position elsewhere in the world remains unchanged.

**Being clear on your domicile**

Domicile, for tax purposes, is not the same as where you live. For example, if your father is from a family that for many generations has lived in Scotland, pursued a career in Australia when you were born, but always intended to retire to Scotland, your Scottish domicile of origin comes back in to play. This will remain so until you acquire a domicile of choice elsewhere in adulthood, by settling in that country on a permanent basis. But if you cease to reside there, your domicile of origin comes back in to play. It's very hard to shake off!

An individual is deemed to be domiciled in the UK for IHT purposes if resident here for income tax purposes for 17 out of the last 20 years – subject to double tax agreement rules with certain countries.

If you're domiciled in the UK for IHT purposes, but your spouse or civil partner isn't, there's only a limited exemption for gifts and inheritance to him or her. However, since 5 April 2013 the surviving spouse may elect to be treated as UK domiciled for IHT purposes (while remaining non-domiciled for income tax and capital gains tax).

**More than one will**

If you have assets outside the UK, consider making a separate will covering those assets, even one for each country concerned. If you're domiciled in the UK for IHT tax purposes, your worldwide assets remain chargeable, subject to double taxation relief where tax is chargeable elsewhere.

**Take note – ISAs**

A surviving spouse or civil partner of someone who dies after 2 December 2014 has an extra ISA allowance equal to the value of the balance on the ISAs of the deceased at the date of death. This applies even if the original funds from the ISA were used to pay for expenses, such as funeral costs. If there are non-cash assets which are inherited from a stocks and shares ISA these too may be paid to the spouse or civil partner's ISA, if he or she wishes. There is no requirement for the ISAs to be inherited.

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