Autumn 2019

Financial and business intelligence

SHIPSHAPE

Keeping your business on track for growth in uncertain times

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 Marlene Wallace at our London office.

T +44 (0)20 7312 6528
E WallaceM@shipleys.com

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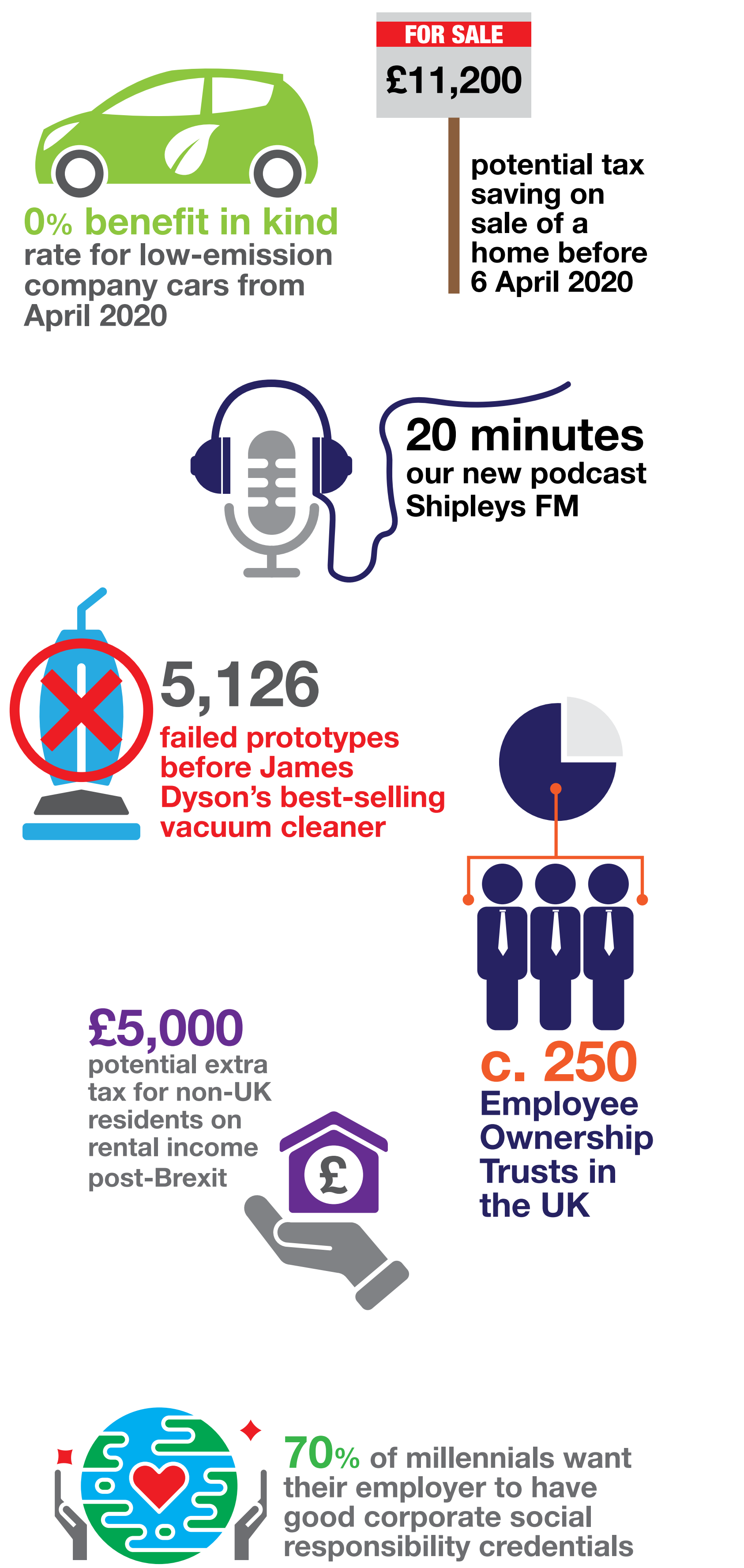


Viewpoint: Simon Robinson
020 7312 0000 • robinsons@shipleys.com

Don’t stop me now

More than three years of Brexit uncertainty have left many business owners itching to just get on with things.

Regardless of the path politics finally takes us down, a number of the businesses we work with are very focused on future growth.

So, it may seem counter-intuitive, but is it time to take your business to the next level – whatever that may mean?

Knowing when is the right time to expand is never easy. Every business is different and faces its own unique challenges. Indeed, growth in itself is not always the be-all and end-all – sometimes a decision to keep calm and carry on can be the right strategy. But the most important thing is to have a plan.

Whatever path you choose for your business, at Shipleys we’ll do all we can to support you and help make those decisions. If you decide it’s time to move up a gear, here are some thoughts on things you might want to review.

Rocking all over the world

Growth for your business could mean looking to expand into new markets, both here in the UK or overseas. It’s a subject of seemingly never-ending debate, but a different relationship with the EU could bring the prospect of new global trade opportunities, especially with the present weakness of sterling making UK goods and services relatively inexpensive. Of course, a weak pound also means more expensive supplies if you’re importing, putting pressure on profit margins.

Then there’s the potential additional red tape that exporters to the EU might face.

In the past two editions of *Shipshape* we’ve spotlighted how intra-EU movement of goods will need to be declared to HMRC in the event of no deal. In that case, an Economic Operator and Identification (EORI) number will help ensure your business pays the right amount of duty. Your business may also need to get Transitional Simplified Procedures (TSP) registration and an Authorised Economic Operator (AEO) certificate.

Career opportunities

Expansion could mean recruiting more staff. With unemployment apparently at its lowest rate in 45 years, that will certainly involve thinking hard about how to attract and retain the right people. At the same time, there are record low numbers of EU citizens joining the UK labour market.

Staffing up to meet the demands of growth, or sudden market changes, has become a more profound challenge because of changing attitudes to work. Business owners now need to give much more thought to what the workplace environment needs to look like in five to ten years’ time to continue to motivate and engage staff, and to be more environmentally aware.

A recent Yougov report highlighted the impact that technology is having on transforming working arrangements and influencing what matters to people at work. The report found office location and flexible hours were the top influences on how people choose between employers, while they’re also swayed by perks like gym memberships and discount schemes.

Meanwhile, research commissioned to mark World Environment Day earlier this year found 73% of office workers want their workplace to improve its sustainability policy, and 24% claim they’d refuse a job at an organisation with a poor sustainability record.

The future is now

Then again, technology could be the very key to growth itself, whether it’s embracing cloud-based business solutions, robotic process automation or artificial intelligence (AI).

Digital technology has enormous potential to allow smaller, agile businesses with good ideas to take on established incumbents, providing them with low-cost, flexible and highly scalable IT solutions.

And the potential impact of AI is highlighted in a recent report from consultants McKinsey, which claims that AI could boost the UK economy by 22% in the next decade by making companies more productive.

Money (that’s what I want)

Of course, growth usually requires funding, whether that’s through investing more of the company’s profits in its future, maximising the tax reliefs available or finding external funding from traditional banks and investors, or the myriad of new sources such as crowdfunding. It’s claimed that more than £200m was invested in firms in 2017 via crowdfunding platforms like Crowdcube, Seedrs and SyndicateRoom. As with any type of funding, however, it’s important to be aware of the potential pitfalls as well as the benefits – something Shipleys’ experts are happy to help with.

Pass it on down

Business owners will also recognise that, ultimately, securing the company future may involve having a plan to hand over the reins of control to someone else at some point. It’s easy to put this off, but the long-term security of the company may depend on it.

One interesting and increasingly popular succession planning option is an Employee Ownership Trust (EOT) – a tax-efficient way to sell a business while maintaining its independence and giving control to staff. You can find out more about EOTs on page 4.

Elsewhere in this issue, we look at overcoming some of the hurdles to growth on page 2, at how businesses can learn from their mistakes on page 5, and at motivating and engaging employees as part of a growth plan on page 6 – along with a whole lot more.

Enjoy the read.

Overcoming the hurdles to gro

Some useful tips on how to get past the obstacles that can hinder the growth of your business.

As most owners will testify, growing a successful business isn't always plain sailing. Despite best intentions, hurdles invariably loom. Overcoming and learning from them is part of the journey and can build an even stronger business long-term, as our recent Godalming Business Club session concluded (see page 5).

Throughout our 80+ years, Shipleys has helped thousands of businesses to grow. That experience has taught us that while every business is unique, there are common challenges to growth. In addition, there are usually a few curve balls thrown in from the political, legal and economic spheres.

Finding the right team

One common hurdle is having enough people for the business to run effectively. With the current job market, recruiting extra people can be tough, so consider upskilling or training existing staff, different promotion routes or even outsourcing. But remember, there's a delicate balance required here – you don't necessarily want to staff up too quickly.

Recognise that as you grow the capabilities of your people will need to change, for example, having additional responsibilities, covering more territories or service/product lines, etc. Make sure you plan ahead for this. (See also page 6 for our tips on motivating employees.)

Financing growth

Over the past decade, many sources of finance have emerged. Some assume, after the last recession, that banks aren't interested in financing but that's not necessarily the case.

Newer providers, such as Funding Circle and iwoca, regularly promote financing to small- and medium-sized businesses. Companies have also set up to help investors benefit from tax savings via the Seed Enterprise Investment Scheme (SEIS). They therefore need to find companies to benefit from SEIS funds. And with continued low interest rates, more individuals are investing in a business run by a friend or family member or through crowdfunding platforms.

So, finance for growth is quite widely available, but think carefully before making a decision – for example, consider what conditions are attached. And don't forget to first make the most of tax reliefs and allowances. They can help cashflow and reduce corporation tax so you can invest more in the business (see page 3 for more information).

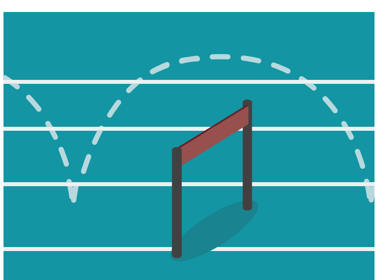
Accommodating expansion

As it expands, your business might get too big for its premises.

With different property and employment costs across the country plus improvements in technology and logistics, some businesses are questioning the need for expensive offices or production facilities.

Permitted Development Rights were introduced in 2013 to incentivise developers to convert disused commercial property into housing. This has led to a shortage of commercial property in some areas.

So, when it comes to premises, have an open mind. Flexible working, access to good distribution routes rather than a high street presence and scalable premises are all helping business owners find more agile solutions to their growth needs.



"...Despite best intentions, hurdles invariably loom. Overcoming and learning from them is part of the journey and can build an even stronger business long-term."

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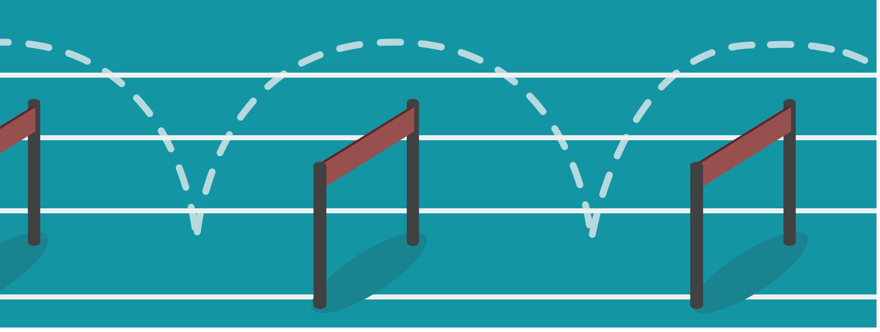


Aligning leadership and management
When a business gets bigger, lines of control can become stretched, and the distinction between leadership and management becomes important. Senior team alignment makes it easier to make and implement strategic decisions. So, periodically:

- **check different attitudes to risk among the leadership team** – it's fine to have a mix, but clarifying contrasting views is very helpful
- **decide what your growth ceiling is** – some business owners feel they don't want the business to grow beyond a certain level, as it will lose its essence
- **review your business plan so it takes account of current market conditions** – it should be a living plan focused on your growth
- **factor in different scenarios and break-even analyses** so you can anticipate and prepare for alternative paths growth may take.

Be prepared
Forewarned is forearmed when growing a business. Accept that growth will be an exhilarating and often bumpy ride. Prepare for it and enjoy it. Along the way, help yourself and the business by putting in place the right team, shared goals and valued independent advice so you can move forward as smoothly and successfully as possible.

If you would like to discuss growing your business, please speak to your usual Shipleys contact.

Making the most of tax allowances to fuel business growth

If your business is ready to grow there are a number of tax allowances to support the journey. Here's an overview of key ones that are often missed.

Make full use of investment allowances
Businesses can claim tax relief on most capital expenditure (e.g. machinery, IT systems, cars etc). The annual investment allowance (AIA) gives you a 100% deduction from your taxable profit in the year of purchase for the majority of assets (but not cars).

The allowance now stands at £1million from 1 January 2019 to 31 December 2020, with special rules for years straddling those dates. In addition to the AIA, there are further tax-free allowances for energy-saving equipment such as solar panels, lighting, some heating and air-conditioning systems etc. If you need new equipment to support your business growth, consider timing the purchase to make the most of your allowances each year.

Consider if you qualify for R&D tax credits
If your business is developing or improving materials, processes, products, formulae, environmental products and other such activities, do consider if the work qualifies for research and development (R&D) tax credits. These can work as a deduction from profit or as an immediate tax repayment in exchange for surrendering the loss. They can therefore have big cashflow advantages.

Check your business structure aids growth
If your business is part of a group structure, don't forget if one subsidiary in the group makes a loss, but another makes a profit, the loss can be switched to the profit-making company to reduce the corporation tax liability on the profit. There are qualifying criteria for the group to do this, to ensure the ownership percentages are not prohibitive.

Tackle bad debt for unpaid fees
As you approach your year-end, don't forget you can write off bad debt and get tax relief on it. Review your debtors list and any action you have taken to recover each debt. Then decide whether you should be writing this off. There's no need to carry around bad debts that go back years – it's much more effective for your company's long-term wealth and growth to write this off and get the tax relief.

New buildings allowance
And if you are looking to purchase or refurbish premises in the coming year, watch out for a new structures and buildings allowance (SBA). Applying from 29 October 2018, it gives 2% flat rate relief over 50 years for building work on most non-residential buildings and structures, either for own-occupation or investment.

EOTs offer business owners an alternative exit route

Employee Ownership Trusts (EOTs) are well worth consideration for owners looking to sell shares in their company but are often overlooked

First introduced in 2014, Employee Ownership Trusts (EOTs) are designed to increase the number of companies owned by employees. They allow business owners to sell their company or some of their shares tax-free and hand over control to the employees who helped build the business.

This provides business owners with new opportunities for succession planning and a tax-efficient alternative to the traditional exit route of selling the business to a third party.

Alternative exit

Building up a business and eventually selling to a third party has of course long been the ultimate aim for many business owners. This can often be the best way to secure the company's future and maximise proceeds on disposal. However, the downside can be that the business loses its independence, some or all of its workforce and the unique culture that made it a success in the first place.

For business owners who don't want to go down this path, and do not have family members to pass the business on to, EOTs are worth investigating.

Under EOT rules, owners can sell some or all of their shareholding in a business to an EOT at an agreed valuation.

Typically, the EOT will pay for those shares either through contributions from the company's trading profits and/or bank loans secured on the company's assets.

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

There's certainly evidence that EOTs are finding favour with UK entrepreneurs: Aardman Animation, the studio behind Wallace and Gromit, is one of the estimated 250 companies to have transferred control to EOTs in the past five years.

What are the benefits?

Selling a business to an EOT has advantages for both the business owner and its employees.

For the owner, sale of a controlling number of company shares to an EOT is free of capital gains tax. However, as with all share transfers over a certain value, stamp duty is payable on the transfer of shares. This is especially attractive to owners who don't qualify for entrepreneurs' relief and who might otherwise expect to pay 20% capital gains tax on the sale of the business.

Providing a controlling share is sold to the EOT, not all shareholders have to sell their shares and owner/directors can remain in situ post-sale, continuing to receive 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. Employees will also avoid the upheaval that often follows a business sale. Employee ownership is generally considered to lead to greater commitment to the business, with increased staff loyalty and lower staff turnover.

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

And, of course, selling to an EOT is no guarantee that a company will succeed. Employee management brings changes that may require significant readjustment and EOT companies still need investment to fund working capital and growth.

But by providing an alternative exit option for business owners and a potential path towards full employee ownership, in the right circumstances, EOTs are certainly worth considering.

Further details of the tax benefits of EOTs are available at *https://tinyurl.com/y2xrymb6*

If you want to discuss EOTs or other exit planning strategies, please get in touch with your usual Shipleys contact.

GDPR one year on

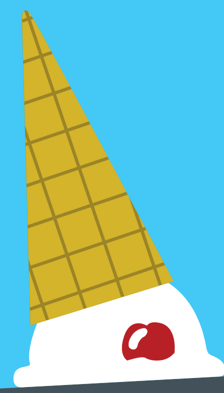
Last year it seemed we couldn't escape hearing about GDPR and the enormous impact it was going to have on business. Those four letters were seared into the minds of everyone unfortunate enough to be tasked with implementing the new rules within their organisations. But a year on, what's the actual impact been now we've had some time to reflect?

What's clear is that there is some disparity around the intention of the new rules, and the way they've been written. They were designed to hold firms accountable for big personal data losses and the Information Commissioner's Office (ICO) now has powers to levy large fines. Indeed, this is what they've done, with the largest punishment to date being the £183.4m British Airways fine, when hackers stole large amounts of its customer data.

However, the rules apply to all businesses and the wording suggested that every single breach, no matter how small, should be reported, potentially resulting in fines. But so far the ICO doesn't appear too interested in small breaches at firms that have been diligent enough to report them.

So, while we all must continue to apply the GDPR rules, which have without doubt had a positive effect on the custody of our personal data, it seems the impact of GDPR on the average business has not been as earth-shattering as many feared.

Turning a setback into a success



How businesses can bounce back from a mistake

Behind every great business success there's often a tough learning curve and even failure along the way.

One famous example of overcoming adversity in business is Apple co-founder Steve Jobs, who was forced out of the company in the 1980s. In 1997, with Apple just months away from bankruptcy, Jobs returned. By 2011 he had turned Apple into the biggest company on the planet and, in many ways, changed the world we live in. "I didn't see it then, but it turned out that getting fired from Apple was the best thing that could have ever happened to me," said Jobs.

Closer to home, British entrepreneur Sir James Dyson went through 5,126 failed prototypes – and all his savings – before perfecting the vacuum cleaner that became an international best-seller. This year's Sunday Times Rich List valued Sir James at £12.6 billion.

Stories of resilience

Though not always on quite the same scale, there are countless examples of setbacks or wrong turns made by successful smaller businesses – whether it's expanding the business too quickly, failing to anticipate a sudden change in market conditions or being too busy with existing customers to build a pipeline of new business for quieter times.

Many of the businesses we've worked with over the years have had to grapple with issues such as over-reliance on a single client putting the business at risk when that client scaled back or went elsewhere, or an underperforming team member having a detrimental impact on overall business performance.

What marks out many of the most successful businesses is that, in most cases, they've recognised the problem and set about changing their approach or structure to tackle it. As a result, they've often emerged as stronger businesses through overcoming those difficulties.

This illustrates just how resilient and inspirational businesspeople can be when faced with adversity.

Essential mindset

The most successful business owners seem to have certain essential attitudes that can transcend failure. At one of our recent Godalming Business Clubs we discussed this very topic and came to the following conclusions.

The more resilient business owners view failure as a necessary part of growth to create something new. They learn not to take failure personally and not to be held back by the fear of failure. In fact, they're determined to learn the lessons from their mistakes, are honest with themselves and take responsibility for their choices rather than looking for someone else to blame. Above all, they have the ability to stay calm and see the opportunities among the challenges. To help them with this, they often surround themselves with a team of people who inspire them, give them direct feedback and provide emotional support.

Find the right response

So, what can we learn from this? Setbacks are part and parcel of business life, but if handled well they can help to build a stronger, fitter and more successful business. At Shipleys, we've helped many business owners rebound successfully from a challenge. Here are a few tips based on that experience:

- be quick to focus on the problem
- stand back and be objective in order to find a remedy
- learn to take advice – and early
- make sure you have the right information to inform your decisions
- ensure you've got the right people to implement your decisions
- stick to what you know and what you're good at
- question the measures by which you're judging success and failure
- don't give up – a solution will emerge.

Our business advisers are always happy to help.

Motivating your people

Engaging employees to drive business growth and attract the best talent

With record low unemployment in the UK – just 3.8% in July – many businesses are finding it tough to attract the talent they need to operate effectively and grow.

Motivating and engaging employees to ensure good staff retention is therefore of paramount importance.

The uniqueness of motivation and engagement

A common challenge for business owners is recognising that different employees are motivated by different things at different times of their lives. For some, money is a key driver, while for others it's the security of work, the working environment or simply being recognised for a job well done.

For younger generations, a clear career path is important, but so too are their employer's corporate social responsibility (CSR) credentials. Much greater interest is being taken in organisations' approaches to diversity and inclusion, environmental impact, well-being and mental health. No surprise then that a recent study found 70% of millennials want an employer with a good CSR track record.

Changing approaches

By understanding different employee motivations, businesses can introduce measures that will foster engagement. This may not necessarily require paying the highest salary – with some business budgets this isn't an option. Increasingly, initiatives such as training and investment in employees' professional development, flexible working and things like dress-down days are gaining popularity.

Looking beyond simple job satisfaction

The Chartered Institute of Personnel and Development (CIPD) says that employee engagement goes beyond motivation and simple job satisfaction. It can be seen as a combination of commitment to the organisation and its values and a willingness to help colleagues.

The CIPD also says that when it comes to employee engagement, business strategies should pay attention to:

- **fair treatment of employees and support for well-being**
- **empowering employees to shape their jobs**
- **having effective channels for employees to voice their views**
- **good people management skills**
- **performance management systems that motivate and give opportunities for professional development**
- **communications to reinforce purpose and vision and keep employees informed.**

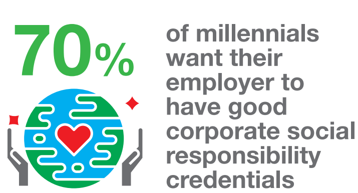
Motivating and engaging within your budget

Businesses obviously need to find ways of achieving these strategies within their finances. When it comes to staff training, the costs are usually deductible and can help to reduce company profit – and therefore corporation tax. Also, paying for an employee's professional qualifications or membership of a professional body is not a benefit in kind and doesn't have to appear on the P11D.

When it comes to motivating and rewarding with money, be mindful that bonuses and benefits packages bring tax and national insurance consequences for both the employee and employer. For the employee, more money might push them into a higher tax bracket (along with the potential loss of benefits like child benefit).

A highly tax-efficient remuneration method is to invest in an employee's pension, as there is no tax on the contribution, or National Insurance for the employee or employer.

For salary sacrifice schemes, childcare vouchers and cycle-to-work schemes remain popular. With the latter, remember the employee should be able to prove their cycle travel comprises at least 50% of qualifying journeys (which includes travelling to and from work).



Share options and ownership

Offering share options is another route businesses can take to motivate and retain employees. We look at one way of doing this, Employee Ownership Trusts, on page 4. There are, however, other types of share option routes, depending on the business and what it wants to achieve. Speak to your Shipleys contact if you'd like to discuss this.

Consider future skills needs in your plans for growth

Finally, as a business grows it's important to recognise that different employee skill-sets and experience will be needed at different stages. For example, as a business expands to multiple sites with more staff, the experience and skills of the IT manager will need to reflect that.

So, when planning for growth, ensure your strategies include a map of the skills and talent needed for the journey. The more prepared you are, the greater your chances of having the right team in place to succeed.

If you would like to discuss any employee engagement and retention issues, contact our head of HR consulting Melody Port at portm@shipleys.com

For business and employment tax-related questions, contact Dean Hardy at hardyd@shipleys.com or your usual Shipleys contact.

CGT relief when selling your home

While stamp duty land tax is not something people relish paying when they move home, a potentially bigger shock could be a capital gains tax (CGT) bill.

When you sell your home for more than its purchase price, a relief known as the private residence relief (PRR) is often applicable. This can exempt homeowners from paying 18% or 28% CGT on the property's gain in value, depending on their tax bracket.

In many cases, PRR means there is no CGT liability when selling your home, but don't automatically assume you qualify; be sure to check these criteria. Broadly speaking, to qualify for PRR you need to:

1. demonstrate you live in the home permanently
2. show it has been equipped for normal living while you've lived there
3. be aware of any period when it was let – under draft legislation, from 6 April 2020 the 'letting relief', which affects the exemption that otherwise requires continuous occupation, will only be allowed when the home is shared with a tenant, irrespective of whether that letting was before 6 April 2020
4. only include land enjoyed as part of the dwelling – outbuildings or land for business use will be excluded
5. be mindful of the size of your land – a property's grounds in excess of 0.5 hectares may fail to qualify
6. elect which property qualifies for relief if you, or you and your spouse/civil partner, own two or more properties that are used as residences
7. check that unoccupied periods at the property don't affect qualifying for the PRR
8. sell your old home within 18 months of moving out (going down to 9 months from April 2020), if you want to get full relief.

A more detailed explanation of how to qualify for PRR is available on our website at *https://tinyurl.com/y4md4ae2*

Changes for IR35 contractors

New IR35 rules may affect businesses that use the services of consultants or contractors – or off-payroll workers – through personal service companies from 6 April 2020.
Most businesses, except 'small' ones, will have to apply PAYE and NIC to payments for off-payroll workers' services provided through intermediaries. In such cases the intermediary will no longer have to apply IR35. Fuller notes on the proposals are at *https://tinyurl.com/y6ezxnrd*

Defined benefits pensions

The defined benefit pension scheme's arcane system to measure pension inputs can result in a tax liability exceeding a pay increase. This has deterred many NHS staff, in particular, from taking on extra responsibilities. The government has at last recognised the issue. The British Medical Association is consulting on ways to avert the problem. See *https://tinyurl.com/y6l48oas*

Post-Brexit tax for non-UK residents

Non-resident UK citizens will lose the income tax personal allowance post-Brexit unless the tax law is changed. Those with UK rental income, for example, could have up to £5,000 more tax to pay.

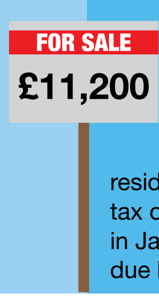
New employment allowance criteria

The £3,000 employment allowance against national insurance contributions from 2020/21 will only to be available to employers with an annual secondary Class 1 NIC liability under £100,000.

Concern for company directors?

One of the draft clauses intended for the Finance Act 2020 has attracted a lot of criticism. As drafted, the clause on 'Joint and several liability of company directors etc', could apply to perfectly innocent shareholders of companies that fail – as well as to those who have been actively involved in a company deliberately not paying tax.

Sale of homes before 6 April 2020 could save £11,200 in tax



A change in the 'letting allowance' is one of the proposals affecting capital gains tax on disposal of a home from 6 April 2020. A sale before 6 April 2020 could save £11,200 tax. Leaving aside the letting allowance change, there is a cashflow advantage in a sale of UK residential property before 6 April 2020. The tax on a sale in March 2020 would be payable in January 2021 and on a sale on 6 April 2020 due by 6 May 2020.

VAT corner %

What to do if HMRC gets in touch

VAT compliance among small- and medium-sized businesses has been the focus of increased HMRC activity recently.

Two common themes are emerging from this activity: HMRC has been making enquiries when a business requests a VAT refund, and there has been a rise in inspections to check for errors in VAT compliance or potential fraud.

When contacting and investigating a business, HMRC nowadays relies more on remote contact, particularly telephone, letter and email correspondence. As a result, there can be significant time lapses between HMRC requesting information and then responding to the data a business supplies.

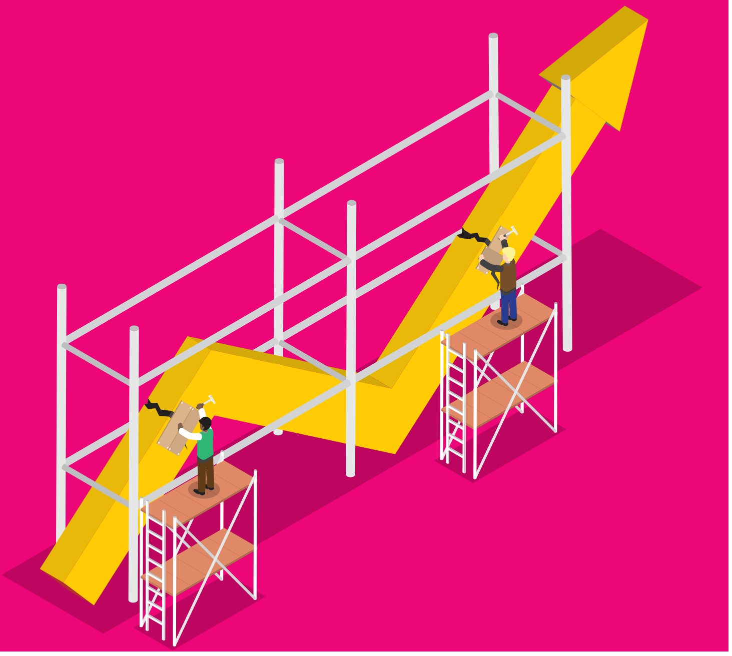
HMRC officers are also under pressure to close cases as quickly as possible. This can mean that if they don't receive information using the right terminology or format, they may refuse refunds or issue penalties. It can then be tough overturning their decision.

If you are contacted by HMRC, don't panic but do be cautious and take care in your response. Check with your Shipleys contact as we can help:

1. determine if correspondence is genuinely from HMRC and not fraudulent (fraudsters intensify their activity in the run-up to tax-filing dates)
2. review your VAT position before you reply
3. guide you on the right terminology to use to avoid prolonging HMRC's investigation
4. help you to send the information required by HMRC, in the correct format.

A structure for growth?

Your business may be ready to take the next step, but is it structured to help you achieve your goals?



Many businesses start as sole traders, but this may not be suitable as they grow and employ more people.

There's no one-size-fits-all answer to the right structure, but here's a quick overview of the main options.

Limited companies

If you started out as a sole trader, the next step is often to look at the option of incorporating as a limited company. A limited company is a separate legal entity from the company directors, which can make business owners more confident about taking risks. If the business is in debt, or fails, you won't be personally liable for all the money owed – but see our 'Tax brief' on page 7 about the possibility of company directors becoming liable for unpaid taxes.

However, in reality, many small businesses will only have a significant potential liability to their bank, which may be covered by a personal guarantee in any case, making limitation of liability less of an issue.

Limited companies are generally perceived as having more credibility when it comes to raising finance or dealing with larger customers and suppliers. There are also tax incentives for investors in companies, such as the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS) that are not applicable to sole traders.

Professional fees are generally likely to be higher for a limited company.

From a tax point of view, limited companies pay corporation tax (currently 19% but due to reduce to 17% in April 2020) on their profits, rather than income tax and national insurance contributions for a sole trader.

Shareholders still pay income tax on their salaries and dividends (although at different rates). Changes to the taxation of dividends introduced in 2016 have narrowed the difference between the tax treatment of companies and sole traders, particularly where most of the company profit is taken out of the business each year. However, there will usually be more post-tax profit available to reinvest into the business for a company than for a sole trader.

On the other hand, tax-free pension contributions for the owner can be paid via the company and it can also get some tax breaks, such as research and development tax credits, which a sole trader cannot access. Any money left in the business can often be extracted relatively tax-efficiently as a capital gain when the business is eventually wound up.

Losses can't be offset against the owner's other income, as they can for a sole trader, which may be a disadvantage in the early years of the business. Any losses can only be carried forward against future profits of the company.

Partnerships

The main alternative to limited company status is a partnership. These days most partnerships are set up as limited liability partnerships (LLPs). As the name suggests, LLPs limit personal liability to the amount you have invested in the business and any personal guarantees you may have given when raising funds.

Partnerships allow for more diverse ownership of a business, with flexibility of management and pay. They are controlled by their members and partnership agreement. This can mean a greater shared incentive to grow the business and also provide more fundraising options.

There's also often a credibility benefit as LLPs, like limited companies, have to register at Companies House.

LLPs are 'tax transparent'. Partners receive profit allocations taken as drawings and are generally treated as self-employed, subject to HMRC tests – so the taxation is more akin to being a sole trader.

Groups of companies

Some businesses are eventually faced with a question of whether to keep different parts under the umbrella of a single company or establish them as separate businesses.

Different parts could trade independently without any formal legal links, function as divisions within a larger business or function as separate trading entities under the ownership of a holding company.

Any change in set-up is likely to have an effect on how exposed each part of the business is to the success or failure of the others, and the size of stake that shareholders have in the business – issues that will be important to potential investors.

The tax treatment of groups of companies can be fairly complex.

If you'd like to discuss which business structure will best support your growth, please talk to your usual Shipleys Contact.

shipleys LLP New podcast

Shipleys has launched a podcast to share useful insights and tax-saving tips for businesses and individuals. Called Shipleys FM, it is being broadcast every fortnight on a Thursday morning and hosted by Tax Director, Dean Hardy.

The podcast features interviews with Shipleys' own specialists as well as clients and contacts, who will share success stories, business lessons and wider issues impacting on business and personal finances.

Dean says: "Shipleys FM is designed to give people another avenue to access Shipleys' thinking – in addition to the articles and thoughts we post online and on social media. Each episode will last around 20 minutes, making it perfect for listening to on the daily commute."

The launch podcast included an interview with film and TV producer David Thompson. It also covered the issues to consider when deciding whether to set up a business as a sole trader or as a limited company.

Themes and topics lined up over the coming months include a charity feature, with tips on tax-savvy charitable giving and an interview with wildlife charity Born Free. There's also a special property edition and another covering insights when planning your retirement.

Listeners can access Shipleys FM via our website page at *shipleys.com/listen* or by searching for Shipleys FM in Apple podcasts or on their favourite podcast player.

Fee protection reminder

As you may know, we offer our tax clients a Fee Protection Service to combat the increased risk of enquiries by HMRC and the introduction of a harsher penalty regime.

For a fixed annual fee, we will deal with most HMRC enquiries rather than charging on the normal basis of our time spent. For more information visit: *https://tinyurl.com/yyofhysf*

Join us for breakfast

Our Godalming office plays host to monthly breakfast meetings for the local business community. Forthcoming Business Club meetings this year take place on 15 November and 6 December.

We aim to provide you a new way of looking at things, along with practical tools to help businesses and their owners. More detail at *https://tinyurl.com/y2gs9ccm*

Exam successes

Congratulations to George Sams, who is now exam-qualified, and to Alex Platt, Georgina Cooper and Peter Mackintosh who are now fully qualified.

shipleys LLP Alumni

Nicola's key role in moving the Museum of London to its new home

Starting at Shipleys in 1991, Nicola Jones (née Francis) spent close to five years with the firm before joining a small, family-run renewable energy company, Fibrowatt.

After developing her project management skills at the BSI, Nicola returned to Fibrowatt to manage the introduction of their new finance system – something she still rates as a career highlight.

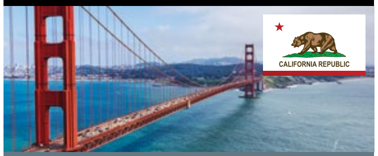
Due to family illness, Nicola spent a year running the family mushroom farm – a unique interview talking point. Following a period of contracting in Bristol, she began a ten-year stint at Lloyds Bank, leading the finance and governance for the bank's first offshoring operations in India. She also managed the project team delivering TSB's forecasting and budgeting solution.

Currently the Head of Finance at the Museum of London, Nicola's responsibilities include playing her part in the museum's eventual relocation to the currently derelict West Smithfield market. Moving to a new home and effectively creating a brand new museum in the capital is one of the biggest cultural projects in Europe.

Nicola is also the Finance Trustee for Highgate Cemetery, which is itself going through a period of significant change as it seeks to find a way to continue as a working cemetery and to conserve a beautiful public amenity.

Looking back at her time at Shipleys, Nicola's highlights include preparing accounts from a box full of receipts, coaching new joiners and, of course, meeting husband-to-be (now Dr Kell Jones) on a Pentagon tax course. Fond memories include the Juniors' Room at Lower Regent Street and probably too many evenings spent at the Captain's Cabin pub.

AGN member focus



Redwitz Inc, California

REDWITZ CPAs | TRUSTED ADVISORS

Redwitz Inc is a full-service CPA firm with three offices in the US state of California, with 145 employees, including eight partners.

The firm specialises in corporate and personal tax, with partners dedicated to international tax matters, and also provides audit and financial statement preparation.

Redwitz supplies an outsourced chief financial officer service, and has extensive capability in the financial management of international companies establishing a foothold in the US.

Other services include estate and trust tax and accounting, wealth management and a substantial IT service capability through Redwitz's wholly owned managed service provider – the GDR Group.

Redwitz has a number of important links with Shipleys. The firm's outlook is very much global and has strong relationships with AGN members and their clients throughout the world.

Managing partner Randy Redwitz says the US economy is still performing strongly with unemployment at its lowest level in many years, and interest rates remain relatively low. However, the trade dispute with China is creating uncertainty, while some analysts are forecasting a recession in the US economy in the near term.

Are tax breaks a green light for more electric company cars?

With climate change and air pollution hitting the headlines, some businesses are considering making the switch to 'greener' company cars with low CO_2 emissions.

There's still some resistance to electric cars because of a lack of recharging infrastructure – a recent survey by Venson Automotive Solutions found that 57% of respondents see battery range as a barrier to using electric vehicles – but new company car rules being introduced next year will favour them.

The current situation

Since April 2015 the 'benefit in kind' cost of owning a low-emission company car has increased year on year, leaving many businesses asking whether it still made sense to buy an energy-efficient car through the company.

When purchasing a company car whose emissions are no greater than 50g/km, the tax consequences up until April 2020 are currently:

- The full cost of the new car is allowed against company profits in the year of purchase
- The benefit in kind charged on the employee for the tax year 2019/20 is 16% for electric and petrol cars and 20% for a diesel.

As an example, for a company buying an electric car with a list price of £35,000 and zero CO_2 emissions, the cost to a basic rate tax-payer is currently £1,120 of income tax a year as a benefit in kind (or £2,240 for a higher-rate tax-payer).

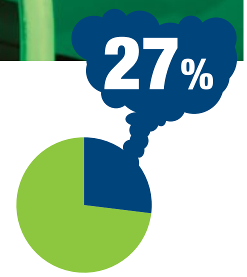
All change again in 2020

A new set of benefit in kind rates is being introduced from 6 April 2020 that favours electric cars. The benefit in kind tax rate for pre-2020 registered zero CO_2 emission cars will be 0% if the car can travel 130 miles per full charge on pure electric power.

Don't forget the company/employer can still claim a full 100% deduction for the cost of an electric car against its profit, as well as for installing a charging point at the workplace – there is no benefit in kind on employees for charging their company car at work.

It's important to remember that the tax rules for higher and lower CO_2 emission cars may continue to change, depending on any change of government and future Budget statements from the Chancellor.

If you need advice on the latest tax consequences of buying a particular vehicle, please get in touch.



Of UK greenhouse gas emissions in 2017 came from transport, making it the highest emitting sector

0% benefit in kind rate for low-emission company cars from April 2020

Ask a question

Recent visitors to the Shipleys website may have spotted an exciting new feature. We've added an *Ask a Question pop-up* to help answer our online visitors' questions. This live chat feature is overseen by professionals in our accounting and tax teams and is already proving popular.