Winter 2020/21

Financial and business intelligence

SHIPSHAPE

A better tomorrow?

Dare we believe in a brighter post-Covid world?

Also in this issue:

shipleys LLP

Contents:

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

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

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

Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

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

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

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White knuckle ride

In all of my professional career, I don't think I've ever known a year of such dramatic change. When I look back at the different missives I've written over the past 12 months, it's incredible just how much and how fast events, the economy and the latest government advice have changed.

It truly has been a rollercoaster and probably one many of us won't ever want to ride again. For some, there have fortunately been more ups than downs. As I write, there has been a tiny ray of light from the positive news on vaccine breakthroughs. Despite the latest forecast of the UK economy's shrinkage this year (by 11.3%) fewer jobs are now predicted to be lost than was first indicated in the summer. Also the Chancellor has announced £100 billion of capital spending aimed at kickstarting growth and supporting jobs.

Given our specialism in the sector, it's been good to see that the film and television production industry has been able to continue working during the second lockdown. Our financial services clients have also been very busy and we focus on the work our expert FS team does with them on page 8. For other sectors, though, restrictions brought in to stem the pandemic have proved incredibly tough and we hope that this is recognised.

Stand together

One of the positives to emerge from the crisis is the unprecedented level of government financial support. The Coronavirus Job Retention Scheme's extension till March, a beefed up and extended Self-Employed Income Support Scheme, extensions too for applications to the government-backed loans, plus instalment plans to ease paying back deferred tax payments are just some recent examples. You can find a summary of the latest support measures on page 4. Also see our summary of the Chancellor's recent Spending Review here *https://tinyurl.com/y2jz6fee*

Do make the most of any support you're entitled to in these tough times, and if you need any advice or guidance on this please get in touch with us. Please be careful though: in this tough economy, cases of fraud attacks on businesses and individuals are sadly on the rise. If you have any doubts about the authenticity of any HMRC request, contact us before paying.

Don't forget

As well as deferral of tax payments which will be falling due soon, the government also postponed some significant pieces of legislation till 2021. While there was much relief at the time, these developments haven't gone away and businesses should be mindful that they're coming around again.

The off-payroll working (IR35) changes (see page 5) and the new VAT reverse charge arrangements (see page 7) are all due in the spring. If you received the Self-Employed Income Support Scheme grant, check out page 7 to understand when you'll need to pay the tax on this – it may be sooner than you think.

The price you pay

In response to the government's financial support during the pandemic, there has been much speculation around how the Treasury will replenish its depleted coffers. One train of thought which seems to be gathering traction (particularly after the Chancellor ordered a review) is that capital gains tax (CGT) may rise.

Whilst we've been here before on CGT, it does make sense to review your assets and any timetable you had to divest them. Similarly, it's sensible to be familiar with the latest tax relief levels on pensions (see page 6) and gifting in relation to inheritance tax (see page 10), so you can make the most of the reliefs currently available.

Europe – the final countdown

And if all that wasn't enough, the government still has Brexit very much on its agenda. While we all knew this was happening at the end of this year, the pandemic has obviously diverted much attention away from preparations. With so little time now left, and a deal not yet finalised (as I write), it's important businesses do what they can to get ready. We have a guide to key considerations on pages 2 and 3 to help and have specialists both within Shipleys and in our international association – AGN – who can support you.

Merry Christmas everyone

2020 isn't ending in a way anyone imagined. One thing it has shown, though, is people's adaptability and resilience during immense disruption. I've been particularly impressed by how my Shipleys colleagues have adapted to the various changes and developments. For now, our teams are mainly working from home, however, our offices are open and have Covid-secure measures in place for those whose personal circumstances make home working a challenge.

Our systems and operations continue to work well and include facilities for online meetings and calls to enable us to deliver timely advice when our clients need it.

It's been such a challenging year and the future is still unclear but, as I've said before, we remain resolute in our passion to help clients thrive. We are here to help you.

On behalf of everyone at Shipleys I wish you good health, prosperity and happiness in 2021.

Simon

Preparing for Brexit

Ready for EU relati

Brexit may not have been quite so uppermost in people's minds of late, but the UK's transition period is almost over. There's little time left to prepare for what comes next and many of the details aren't yet finalised, but here are some of the key actions you should be taking.

From 1 January 2021 the transition period that has been in place since the UK left the EU will end. This will have a big impact on some businesses.

While details of any trade deal with the EU are yet to be agreed at the time of writing, at Shipleys we've been helping businesses deal with the main challenges.

Who businesses can employ

If you employ overseas nationals you will need to prepare your business for the implementation of the new points-based immigration system, which will introduce new job, salary and language requirements.

If you want to hire anyone from outside the UK, including from the EU, you must be a Home Office-licensed sponsor. (The new system does not apply to Irish citizens.) If you already have employees who are EU citizens, they and their family members need to apply to the EU Settlement Scheme to continue to live and work in the UK. It's free to apply and the deadline for doing so is 30 June 2021.

Applicants who've lived in the UK for a continuous five-year period will usually be given settled status, which means they can stay in the UK as long as they like and can apply for British citizenship if eligible. Those who started living in the UK by 31 December 2020, but do not have five years' continuous residence, can also stay in the UK under pre-settled status. Application to change this to settled status will then be possible after five years' continuous residence.

Any employees affected by the new system should make their applications as soon as possible, as Covid-19 restrictions have caused processing delays. Businesses should also review contracts to make sure they are conditional on having the right to work in the UK.
You can apply to become a Home Office-licensed sponsor at *https://tinyurl.com/ojc6zhs*
More information on the Settlement Scheme is at *https://tinyurl.com/y7vko4sf*

Customs arrangements

In the absence of a trade deal being agreed, from 1 January 2021, goods moving between the EU and UK will become imports and exports and will need to be formally declared to customs agencies.

There are a few things to do or consider doing in advance:

- Ensure you have an Economic Operator Registration and Identification (EORI) number. Businesses may need both a UK EORI and an EU EORI, depending on their circumstances.

Apply at *https://tinyurl.com/y3wj9zhf*

- Arrange to have a company VAT registration in the EU. Ireland and the Netherlands are currently proving popular choices. This is not necessary for every business, so take advice.
- Appoint a fiscal representative in an EU state. This is a requirement of some EU member state tax authorities, but is only needed if the business needs a VAT registration in that territory, or else a substitute for a VAT registration. Businesses involved in just a few transactions can account for VAT using their representative's VAT number, rather than setting up VAT registration in the EU. Again, take advice to confirm this is relevant to your business.
- Find out if you'll need a licence or certificate for the goods or services you plan to import or export. More at *https://tinyurl.com/yxhfezg8*
- Ensure your staff are trained so they know the basics on new accounting and trading systems.
- Understand your obligations regarding customs declarations. Most businesses will just need an overview of customs procedures and after that rely on their import agent (see next point).
- Do as many businesses already do and hire a person or business as an import/export agent (freight forwarders often supply this service) to deal with customs for you. More at *https://tinyurl.com/y2jwoob8*

the new onship?

Other issues to consider

Export standards
At the end of the Brexit transitional period, UK businesses will need to get products they hope to export to the EU assessed and marked by an EU-recognised conformity assessment. There's more information on the gov.uk website at
https://tinyurl.com/yxb5obmf

Authorised Economic Operator status
Businesses might also consider applying for Authorised Economic Operator (AEO) status, which is an internationally recognised quality mark that shows your business's role in the international supply chain is secure and has customs control procedures that meet UK and EU standards. Bear in mind that the application process is rigorous and can take several months to complete. More about AEO status, which will be valid from 1 January 2021, on the gov.uk website at
https://tinyurl.com/y5fhdnd2

Contracts
Contracts are vital in establishing responsibility around issues like delays in delivery of goods and costs such as transport and dealing with customs processes incurred. If your business is exporting goods to the EU, it will be useful to know about International Commercial Terms (often shortened to Incoterms). A series of pre-defined commercial terms published by the International Chamber of Commerce, these are often used in international commercial transactions and supported by trade councils, courts and international lawyers.

Country of origin certificates
For businesses importing goods, it's important to understand the requirement for a country-of-origin certificate for those goods, commodity codes and licences, if needed. Importing also requires that an entity or individual is clearly recognised as the Importer of Record – ensuring goods are correctly valued, any tariffs are paid and proper documentation filed. This isn't necessarily the end consumer or purchaser and could be a customs agent or intermediary. There are complex rules relating to Northern Ireland. Further advice is available from Shipleys.

Data protection
GDPR is an EU law and, in principle, will no longer apply to the UK from the end of the transition period. However, if you operate inside the UK, you will need to comply with UK data protection law. The UK government has said that it intends to incorporate GDPR into UK data protection law from the end of the transition period – so in practice there will be little change to the core data protection principles, rights and obligations found in GDPR. However, it's still unclear what businesses will have to do with data coming out of the EU. Updates can be found at the Information Commissioner's Office website at
https://tinyurl.com/y3lpxmcl
and on the gov.uk website at
https://tinyurl.com/y5c73zcv

Intellectual property
Finally, on 1 January 2021, the UK Intellectual Property Office (IPO) will create a comparable UK trademark for all right holders with an existing EU trademark (EUTM). Existing EUTMs will still protect trademarks in EU member states and UK businesses can still apply to the EU IPO for an EUTM. Go to the gov.uk website at:
https://tinyurl.com/qpsrsog

We have been helping many businesses prepare for 1 January 2021. Drawing on our membership of AGN International – a global association of separate and independent accounting and advisory businesses – we are arranging, for example, various EU registrations, the establishment of EU subsidiary offices and appointing fiscal representatives on our clients' behalf.

For further information, go to:
https://tinyurl.com/y64qdqm7

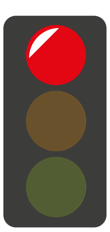
Pandemic update

Covid-19 support for business – where are we now?

An update on the government's redrawn rescue plan to help the economy through the winter, plus other coronavirus-related news.

To bolster the economy, the government has revisited its Winter Economy Plan. Central to this is the extension of the furlough scheme (Coronavirus Job Retention Scheme) across the UK until the end of March 2021 – although the government has said it will review the situation in January 2021.

Employees placed on leave under the extension qualify for 80% of their pay, capped at £2,500 a month – a change to the arrangement of recent months, which saw firms having to top up furloughed wages by 20%, with the government paying 60%.



150 pages in test case judgement on business interruption insurance

If and when the furlough scheme is finally ended, it could then be replaced by the Job Support Scheme (JSS), which had been the original plan for the end of October 2020.

Business interruption insurance
Businesses whose insurance included business interruption policies have been buoyed by the successful outcome of a test case brought by the Financial Conduct Authority (FCA).

The final judgement ruled that insurers should – in most cases – accept liability under such policies. However, each policy will have to be considered against the detailed and complex 150-page judgement to establish what it means for that policy's criteria.

Parts of this ruling are being appealed at the Supreme Court, but a final judgement isn't expected until early 2021. The FCA has said that any appeal doesn't preclude policyholders seeking to settle their claims with their insurer before the appeal's outcome is known. More at: *https://tinyurl.com/y2225y8k*

The Self-Employment Income Support Scheme (SEISS)
SEISS has been extended to a third and fourth grant. The third grant will cover a three-month period from 1 November 2020 to 31 January 2021. It will be a taxable grant based on 80% of an eligible individual's average monthly trading profits in the past three tax years and capped at £7,500. The fourth grant will cover the following three-month period starting from 1 February 2021. The government will set the level of this grant in due course.

Unless there is a further announcement from the government, all SEISS payments, including the two earlier grants, which were typically made in May and September 2020, will be taxable as part of income for the 2020/21 tax year – even if they fall in an accounting year which is the basis year for 2021/22 tax computations. More at: *https://tinyurl.com/yyo7wtya*

Further measures include:

- extension of the closing application date for government-backed Covid-19 loan schemes to 31 January 2021
- 5% VAT rate on restaurant food, accommodation and attractions extended until 31 March 2021
- deferred VAT can now be paid in instalments over the financial year 2021/22 (more on page 7)
- the self-employed will get more time to pay taxes due in January 2021 (more on page 7)
- £100 billion of capital spending is being allocated to kickstart growth and support jobs in 2021/22
- the National Living Wage to increase by 2.2% to £8.91 an hour from April 2021 and the minimum age at which it applies will reduce from 25 to 23
- the business rates multiplier will be frozen in 2021/22, saving businesses in England £575 million over the next five years. The government is also considering business rates reliefs.

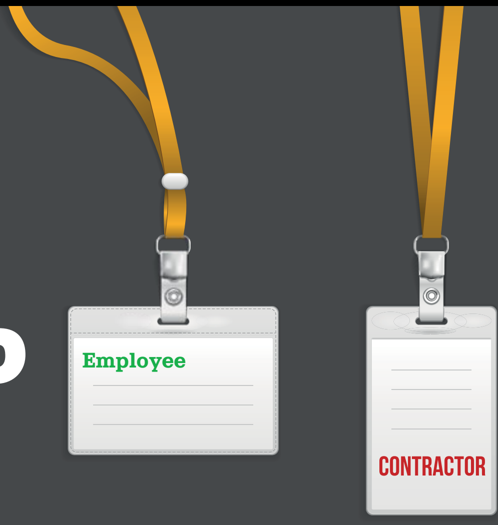
Cracking down on fraud
HMRC is to crack down on fraudulent claims for Covid-19 financial support.

One area of particular focus for HMRC is likely to be where employees and/or directors were furloughed but carried on working. More at: *https://tinyurl.com/yxn9bc6b*

If you wish to discuss how any of these measures will impact you, please talk to your usual Shipleys contact.

Off-payroll working/IR35

Looming extension of IR35 changes to private sector



New rules that will affect businesses using the services of contractors through personal service companies (PSCs) come into effect in April 2021.

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

Under these rules, known as IR35, it used to be the responsibility of contractors and their PSCs to assess their own IR35 status and then to account for any tax and NICs due. However, in 2017, the balance began to change when that burden switched to the client in the public sector.

Who do the new IR35 rules apply to?

From 6 April 2021, this shift in responsibility will also apply to medium and larger businesses in the private sector (and some charities).

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

Small businesses will not be covered by this new arrangement. A company is small if its annual turnover is not more that £10.2 million, its balance sheet total is less than £5.1 million and it employs fewer than 50 people. A partnership or sole trader is small if its turnover is not more than £10.2 million.

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

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

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

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

Self-employed not affected by change

The off-payroll working rules don't apply to the self-employed – individuals who operate their own business structure and do not work in the same way as an employee. For example, those who have their own business premises, employ other workers or work for a wide range of clients, continue to be outside the IR35 rules.

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

This is a complex topic and HMRC offers a Check Employment Status for Tax (CEST) tool to help determine the relationship between a contractor and a client at *https://tinyurl.com/zg4ufoc*

Further guidance can be found on the gov.uk website at *https://tinyurl.com/yyx45en9* and at *https://tinyurl.com/yyzejf8d*

There's also more information at the Shipleys website at: *https://tinyurl.com/y6ezxnrd*

Ground rules on gifts

Many of us want to gift some of our assets to loved ones, but inheritance tax (IHT) rules can be confusing. Here's some important guidance.

- All gifts to a spouse or civil partner are exempt from IHT (subject to being UK domiciled). There is also no capital gains tax (CGT) on gifts between spouses.
- For other large gifts, only £3,000 a year in total will be covered by the IHT annual exemption. The unused part of this £3,000 exemption can be carried forward, for one tax year only. There is, however, no CGT exemption on such gifts if they are not of cash.
- If you give a share in your home to your unmarried son or daughter who lives with you, and if you continue to live there and meet your share of the running costs, then it's not regarded as a gift subject to a reservation of benefit (GROB). If your child subsequently moves out, though, it will be a GROB – unless you pay market rent.
- If you give your home to your children who do not live with you and you continue to live there, the home will be regarded as a GROB and continue to be treated as part of your estate for IHT purposes – unless you pay a market rent.
- It's only partly true that, in the absence of a will, everything goes to your spouse or partner and there's no IHT. Firstly, unmarried partners enjoy no IHT exemption. Secondly, the exemption is limited if the recipient is not domiciled in the UK for IHT purposes, but you are. Finally, if you have children, the intestacy rules only give part of the estate to a surviving spouse, and the remainder to the children. A will makes sure the right people benefit, avoids arguments after you're gone and minimises IHT.
- On death, individuals are taxed at a rate of 40% on all of their assets , plus non-exempt gifts in the last seven years, above a threshold. This nil rate band threshold is currently £325,000, together with a residence nil-rate band (RNRB) of up to £175,000. This RNRB applies if you bequest your home to children, grandchildren, etc, but is tapered down if your estate exceeds £2 million.
- In times like these, with asset values depressed, you might be able give away more assets than you could have in the past – but only do so if you can afford it, and after taking advice as to the tax implications.

Making Tax Digital for income tax

Many more businesses will soon have to comply with the rules of the government's Making Tax Digital (MTD) programme.

Under MTD, businesses that are VAT-registered and have a taxable turnover above £85,000 already have to keep digital records and use prescribed software to submit their VAT returns.

However, all non-VAT-registered self-employed individuals and landlords with annual turnover or rental income above £10,000 will need to follow the MTD rules for income tax from their next accounting period starting after 5 April 2023. Exemption can only be secured because of age, disability, geography or religious grounds.

For guidance on compatible software, see *https://tinyurl.com/y3balz3f*

Anyone who is self-employed or a landlord can voluntarily use MTD software to keep business records and send updates to HMRC instead of filing a self-assessment tax return ahead of this deadline. Go to *https://tinyurl.com/y2a504rw*

More time to pay taxes

In his Winter Economy Plan, the Chancellor announced that the self-employed and other taxpayers will be given more time to pay taxes due in January 2021.

Self-assessment payments due on 31 July 2020 were initially deferred until 31 January 2021 but now, under the Chancellor's enhanced Time to Pay scheme, taxpayers with up to £30,000 of self-assessment liabilities due will be able to use HMRC's online self-service Time to Pay facility to secure a plan to pay over an additional 12 months.

This means that self-assessment liabilities originally due in July 2020 will not need to be paid in full until January 2022. More at: https://tinyurl.com/y2724s2r

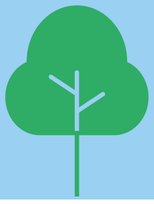
Airbnb Fresh tax implications

Popular sites like Airbnb are inspiring some homeowners to let out part or all of their home, but this could mean there is tax to pay on the income this generates.

A fresh development is news that Airbnb has confirmed it is now reporting letting income details of the hosts who use the platform to HMRC, enabling targeted tax enquiries.

Many Airbnb hosts mainly let out spare rooms and qualify for the rent-a-room relief (currently £7,500 per year) that is available if letting part of your main residence and which doesn't create a tax-reporting obligation if the rents are within that figure.

However, letting a second or third home that generates income in excess of £1,000 in a tax year will create a tax reporting obligation. If a landlord hasn't declared rental income, and it is not covered by rent-a-room relief or the miscellaneous property income allowance, it's advisable to talk to an adviser to get your tax affairs in order. More at: https://tinyurl.com/sfnkd38



HMRC crackdown on residential property disposals

HMRC is to contact thousands of people it believes made a taxable residential property disposal in the 2018/19 tax year without declaring it on their tax return.

Letters will give details of the information HMRC wants to check and ask recipients to consider whether they should have paid capital gains tax on the disposal. It advises them to either amend their return or use HMRC's digital disclosure service, if necessary.

Previous letter campaigns focused on taxpayers whom HMRC suspected of having offshore assets that they had not disclosed and contained a controversial request for the recipients to sign and return a certificate of their tax position.

Letters regarding property disposals will not contain this request, but taxpayers and their advisers should carefully consider the best response to any letter, especially if a disclosure is required.

HMRC steps up enquiries into Entrepreneur Relief claims

Entrepreneurs' Relief (ER) is a very valuable tax relief. In recent months HMRC appears to have been reviewing ER claims more frequently and in greater depth to ensure they are valid.

These enquiries involve clarification and confirmation that the necessary conditions for ER have been met and can be supported by documentary evidence. HMRC will consider the activity of the company in question to confirm its trading status, together with reviews of the company's accounts and share register to ensure ER conditions are met.

We recommend seeking professional advice prior to making a claim to avoid any pitfalls or issues that may at a later date inadvertently invalidate it.

VAT corner %

Important upcoming changes

Construction industry reverse charge

Business involved in supplying or receiving construction services should be aware of VAT reverse charge arrangements that will apply from 1 March 2021.

From that date, suppliers will no longer charge VAT on affected supplies and instead their customers will account for the VAT as a supply to themselves.

The changes affect any business registered for both VAT and the Construction Industry Scheme (CIS) that is supplying construction services subject to VAT at either 5% or 20%, and any business receiving construction services. More information at: https://tinyurl.com/vv8bpx4

Deferred VAT payment

Businesses that deferred VAT due in March to June 2020 now have the option to spread their payments over the financial year 2021/22 in 11 equal, interest-free instalments.

All businesses that took advantage of the VAT deferral are eligible to use the new scheme – but they will need to opt in using a process HMRC will launch in early 2021. Those that can pay their deferred VAT can still do so by 31 March 2021. More information at: https://tinyurl.com/yx247sum

MTD for VAT

Making Tax Digital (MTD) is to be extended to include all VAT-registered businesses, regardless of turnover, from 1 April 2022.

Currently all VAT-registered business with a taxable turnover less than £85,000 are exempt from compliance with MTD for VAT, which requires a business to keep digital records and use MTD-compliant software to file their VAT returns.

Businesses can sign up to MTD for VAT any time in the run up to 1 April 2022. It will however be mandatory for them to have signed up before their first VAT return period starting on or after 1 April 2022. More information at: https://tinyurl.com/y4tby5g6

Raising funds for charity by providing trade unions with investment solutions

David Sachon, chairman of TU Financial Management Services, reveals how a shift in strategy has meant it can now offer more to clients.

"We recently outsourced the day-to-day financial management of accounts to Shipleys, so I look forward to working even more closely with them."

Established in the 1960s to look after the subscription fees of trade unions, TU Financial Management Services (TUFMS) has evolved into a successful niche fund management company.

Unlike most investment businesses, any profit TUFMS makes providing investment solutions for trade unions and other not-for-profit organisations is passed on, not to shareholders, but to charitable causes – a donation each year of up to £200,000.

David Sachon, TUFMS chairman, explains: "We work with the trades union movement to help them invest in stocks and shares. We outsource the fund management itself, so we introduce them to one of a few firms with whom we have a trusted relationship, and they tailor the investment strategy accordingly.

"TUFMS gets a fee for those introductions and any profits go to the charity that owns us – the TUUT Charitable Trust. The trust then donates the money to good causes recommended by the trades union movement." Recent examples of this include much-needed funds for food banks in the UK, and education and health programmes in Africa.

TUFMS's board comprises four people with City of London connections and seven members who are trade union leaders. David, who is also a TUUT trustee, has extensive City experience and his last role before joining TUFMS in 2006 was MD of an asset management firm.

Strategic shift was pivotal moment

Looking back, David sees the decision to outsource fund management as a pivotal moment for TUFMS. "We were set up as a unit trust that just about all the unions invested with, but by about 10 years ago the trust did not have the traction to compete with investment advisers who were telling the unions to take a more proactive stance in their investment strategies."

David says the TUFMS board considered whether it "would be better to shut up shop". Instead, it opted to outsource management of the unit trust and move to the introducer role it now plays. "That has given us access to a wider range of fund managers and investment products, which means we can approach a bigger customer base," says David.

The strategy has been a success: TUFMS works with 40-50 organisations, mostly trades unions, and has £50m+ under outsourced management in the unit trust and, through its introductions, advises on a further £40m+. "That might be a comparatively small amount," says David, "but it's important to the organisations we work with, especially the smaller unions."

Covid challenges

Despite stockmarket fluctuations caused by Covid-19, TUFMS is on track to hit its financial targets for 2020. However, enforced working from home has been a challenge. David explains: "We're normally based at Congress House, the London headquarters of the Trades Union Congress, which helps with new business leads and maintaining close relationships within the movement."

Shipleys has been TUFMS's auditor for some years and David says he values Shipleys' "good knowledge of how we operate within the union movement". He adds: "We recently outsourced the day-to-day financial management of accounts to them, so I look forward to working even more closely with Shipleys."

For the future, TUFMS wants to extend its involvement with trade unions by helping regional branches to look after their assets, while its charitable targets include tackling child poverty in the UK through providing better IT equipment for disadvantaged families.

http://tufm.co.uk/tufms

TUfm
TU Financial Management Services Ltd

Covering all the bases for financial services clients – and with a personal touch

Continuing our series on Shipleys' sector specialisms, we talk to Rob Wood, who leads our financial services team.

With the extra challenges of Covid-19, new investment regulations and the end of the Brexit transition period looming, it's certainly been a busy time for the financial services clients that rely on the support and experience of our FS team.

Demand for the team's services continues to grow. Shipleys has always advised financial services firms, but our expertise has expanded to the point where Financial Services Partner Rob Wood can point to the fact that the clients his team looks after include around 80 UK investment funds with a combined net asset value of more than £4bn.

Clients include fund management firms, broker-dealers, wealth managers, family offices, offshore fund advisers and proprietary traders – who all benefit from the services of accounts, audit and taxation. However, as predominantly FCA-regulated businesses, they must also comply with a number of additional and unique requirements.

Rob explains: "The FCA requires these firms to demonstrate their capital resilience against certain metric benchmarks, and we help clients understand their requirements in this area. FCA firms are also often required to have a client money audit for the FCA."

While ensuring clients stick to FCA rules is an ongoing task, the unprecedented uncertainties of 2020 have also kept his team busy. Rob says: "We've been advising on all the Covid-related support schemes out there. Many firms have had to furlough staff and there's also been a wider discussion around HR generally and advice on operational issues, like IT and moving to remote working."

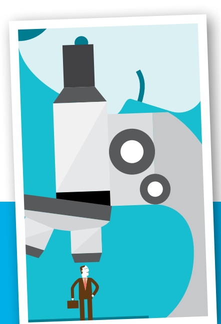
Another issue is the new investment firm regulation (IFR), which comes into effect in June 2021 and will likely bring changes to the aforementioned capital requirements for finance firms. Rob says: "We've been doing exercises with a number of clients to run through what the requirements might look like. Any FCA-regulated firm should think about this sooner rather than later, and we can help them do that."

He continues: "However, it's not 100% certain what these changes will look like because we still don't know what our relationship with the EU will be when the transition period ends on 1 January 2021. And therein lies another critical issue for clients – what will the future EU relationship mean in a much wider sense for financial services regulations."

Whatever the challenges, Rob is confident Shipleys can help clients overcome them. "We have the resources to offer a complete accounting service, including specialist financial services expertise, yet offer a personal service at the end of the phone when it's needed."

Looking ahead, he sees growth for the team in expanding its work with fintech firms. "We've taken on a number of new clients in the fintech space and we expect there to be more. Many come under FCA rules and we can help them from start-up stage all the way through to becoming established firms."

Shipleys provides a quarterly financial services update on the latest sector-relevant topics at *https://tinyurl.com/yye6ld98* And there's more on our specialist FS team at *https://tinyurl.com/y2ba8cbz*



Protection against the cost of tax enquiries

For a modest annual charge, our tax investigations insurance means you can rest assured that you are protected against our costs associated with an HMRC enquiry.

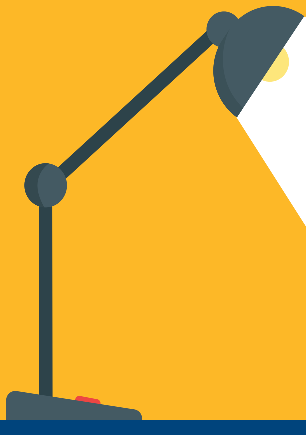
Tax enquiries are taking more time to deal with and are becoming more expensive as a consequence. Yet the cost of not defending enquiries properly can be huge.

Tax investigations can happen to anyone – whether you are an individual or a business and no matter how good your records are – and some investigations are simply random.

HMRC has access to data from merchant acquirers, banks and building societies, property-based information, land registry, letting agents, mortgage applications, DVLA, foreign data from overseas tax authorities and they continue to expand their data sources. Even if you have done nothing wrong, you can be selected.

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

More information at: *https://tinyurl.com/y22motwp*



Spotlight on pension changes

Changes announced by the government will have an important bearing on the amount of tax to be paid on pension contributions. We spotlight what's different and what it means.

Increases to both the threshold income and adjusted income limit*, which are used to work out an individual's annual pension allowance, came in the Budget earlier this year.

The annual allowance is the maximum that can be saved in a pension scheme each year with the benefit of tax relief. Ignoring tapering, this is £40,000 plus any amount by which your pension inputs fell short of the annual allowance in the previous three tax years. However, the £40,000 figure tapers down for high-income individuals.

In previous years, this tapering started when a person had adjusted income over £150,000 and the normal £40,000 allowance limit tapered down to £10,000, depending on how high the income was above that amount.

From the current tax year, 2020-21, the starting point for tapering will be adjusted income of over £240,000 and reduces the allowance from £40,000 down to a lower £4,000 minimum.
So, from 6 April 2020, you will have a reduced ('tapered') annual allowance if:

- your threshold income is over £200,000 (previously £110,000), and
- your adjusted income is over £240,000 (previously £150,000).

You will not be subject to the tapered annual allowance if your threshold income for the year is £200,000 or less, no matter what your adjusted income is.

If you are subject to the taper, for every £2 your adjusted income exceeds £240,000, your annual allowance for that year reduces by £1. Here's a very simple example:

Example
Say you have an adjusted income of £300,000 for the 2020/21 tax year. This exceeds the adjusted income limit by £60,000. Your annual allowance would be reduced by half of this – so by £30,000 – leaving you with a tapered annual allowance of £10,000, which is the standard annual allowance of £40,000 less the £30,000 reduction under the tapering rules.

Making contributions in excess of the allowance creates an income tax charge at your marginal rate. Many people in defined benefit pension schemes, more commonly known as final salary schemes, have found that a modest increase in their pay can result in a tax liability that is sometimes greater than the pay increase.

The change will reduce this problem only slightly. Even an annual allowance of £40,000 is not enough to shelter those on quite modest pay levels from extra tax on a bonus or pay increase.

If your pension savings in the tax year are more than your available annual allowance, you should include the excess amount on your self-assessment return. This amount is added to your taxable income. If you have an income tax charge on excess pension inputs, you can elect for your pension scheme to pay the charge on your behalf, although this will result in a reduction to your pension at retirement.
*Your threshold income is all UK income (not just salary) but after all pension contributions paid by you personally and by your employer (known as pension inputs). Adjusted income is all of your income before pension contributions.
More information about pension taxation at:
https://tinyurl.com/y6gaxfru

And finally....

We would like to wish all of our clients and professional friends a Merry Christmas and a happy and prosperous New Year.

Shipleys has made a charitable donation at this festive time.

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