Spring 2023

Financial and business intelligence

# SHIPSHAPE

## Restore and regenerate

***Will the months ahead see a brighter outlook?***

*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 Gilda Rochester at our London office.


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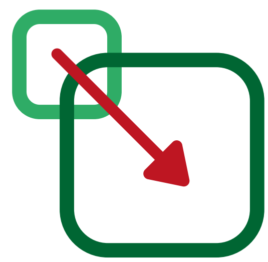
**new tax-free yearly allowance for your pension pot, up from £40,000.**

**30 hours**

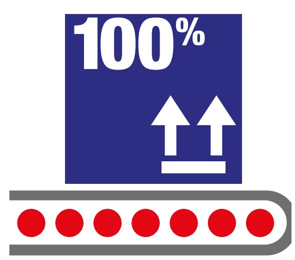
**of free childcare for working parents in England expanded to cover one and two-year-olds, to be rolled out in stages from April 2024.**


**deadline for Annual Tax on Enveloped Dwellings return.**



**£6,000**

**the new lower capital gains tax allowance, as of April this year.**




**expenditure companies can now claim when investing in new equipment, plant and machinery.**

**25%**

**the new corporation tax rate for profits over £250,001.**

Viewpoint: Steve Foster
*020 7312 0000 • FosterS@shipleys.com*

# Remaining resilient

**Remaining resilient**

I hope you've enjoyed the additional daylight and spring's sights and sounds in recent weeks. In times dominated by change and challenges, it's reassuring to see signs of resilience and regeneration in the natural world.

It offers a timely reminder that as humans we too have a capacity for adaptation and ingenuity in the face of adversity. With a new fiscal year underway, there are indeed several changes to navigate and in this Shipshape we have plenty of advice and reminders to help.

**Growing pains**

Since my last viewpoint, while there hasn't been the political upheaval of 2022, things still haven't been easy for many. Higher costs across multiple fronts continue to affect organisations and individuals alike.

In March though, it was announced the UK would avoid going into recession in 2023 with the Office of Budget Responsibility (OBR) expecting the economy to shrink by 0.2%. This was a significantly better percentage than previously forecast. In his Spring Budget (see page 2), Chancellor Jeremy Hunt remained resolute in his ambition to significantly reduce inflation by the end of the year, lower the national debt and grow the economy.

In recent weeks we've also seen the UK banking sector showing strength and resilience in the face of turbulence in the US and Switzerland.

**Shoring up to grow**

Returning to the Budget, there was a strong sense of the Chancellor still trying to stabilise things. This meant very few short-term relief measures. Energy support for households was extended for three months until the end of June. For businesses, the Energy Bill Relief Scheme has been replaced by the less generous Energy Bills Discount Scheme for the period 1 April 2023 to 31 March 2024.

The free childcare extension is welcome news to support working families, help employers trying to retain talent and bolster the labour market. However, it won't be phased until April 2024. There were also adjustments to pension allowances, once again to encourage people to work for longer and boost the UK workforce.

**A new era for corporation tax**

For businesses it was good to see a fresh incentive for capital investment, as the super deduction allowance ends. Do talk to us about the opportunities the new allowance offers for business investment. It may also help some businesses to counter the impact of the corporation tax rate increases that came into force this month.

Given those changes, we have a corporation tax special on pages 4 and 5 addressing considerations such as director remuneration and also the changes to research and development reliefs.

**Expanding horizons**

As more businesses trade and grow on an international scale, it is common to establish subsidiaries in different territories. On page 3, we have explained the pitfalls to avoid when it comes to transfer pricing calculations between different parts of an international group.

Also on the theme of growth, we are very grateful to Alhassan Goussous for sharing his experiences in building a highly successful fast-food franchise chain during a tough economic climate (see page 8).

**Pensions, personal finances and property**

In addition to the pension changes announced in the Budget, there was a welcome development for those who still need national insurance (NI) years between 2006 and 2016 to qualify for a full state pension.

To give people more time to fill in the gaps, the government has extended the deadline to 31 July 2023. For more information about buying NI years, go to: *https://tinyurl.com/2p87rzjz*

In the face of rising costs, many people are looking to find additional income. In our Money Matters section on page 10 we highlight tax implications of letting out your home on sites like Airbnb, as well as capital gains tax and capital losses in relation to cryptoassets.

And in response to many property and tax-related questions we've answered in recent months, we have a property special on page 7.

**Here to help**

The new fiscal year will bring a tougher tax environment for many. Changing rates, reductions in some allowances and threshold freezes will have an impact on people's finances. At Shipleys we remain resolute in our commitment to help and are following all the latest developments to guide our clients. Do call on us if you need any advice and support in the months ahead.

**Steve**

# Steadying the ship

## *Key takeaways from the Chancellor's Spring Budget*

After 18 months of political upheaval and an unprecedented number of Chancellors, Jeremy Hunt was under pressure to introduce measures to help stabilise and grow the economy in his Budget.

Keen to restore the government's economic credentials, the Chancellor repeatedly reiterated three priorities in the run-up to 15 March. Namely, to halve inflation (currently five times the Bank of England's target of 2%), reduce the eyewatering UK national debt and grow the economy.

**Challenging times**

These continue to be challenging times. Business investment is well below pre-Brexit referendum levels and the country is still gripped by a cost-of-living crisis – inflation unexpectedly jumped to 10.4% in February (mainly due to high food prices) and the Bank of England raised interest rates for an 11th consecutive time to 4.25% as a result.

To meet his other main challenges, the Chancellor faces reducing national debt by replenishing Treasury funds at a time when many people are struggling financially, and boosting the economy by tackling labour and skills shortages, and high energy bills.

On the positive side, the UK will avoid a recession this year, according to an Office for Budget Responsibility forecast. The report says GDP will fall by 0.2% this year, far lower that the 1.4% downturn it predicted in November. The Office for Budget Responsibility also forecasts that the CPI inflation rate will fall to just 2.9% by the end of the year.

In addition, in January the government found it had a surprise surplus in its finances, while Ofgem's lower energy price cap announcement in February will mean the government will pay less compensation to energy suppliers.

As the Treasury releases more detail from the Budget announcements, we'll continue to assess the implications for our clients. We will share any further conclusions and advice on our website, in our Tax Facts card (See: *https://tinyurl.com/6evauws5*) and in our conversations with you.

In the meantime, if you wish to discuss how this Budget impacts you, please do talk with your usual Shipleys contact. Our key focus remains to help our clients navigate the changes smoothly and comfortably. More on the Chancellor's spring Budget from the Shipleys website at: *https://tinyurl.com/bdzxds7j*


**Full-strength Budget summary**

Download our full March 2023 Budget summary as a pdf at: *https://tinyurl.com/2p98zc9k*

**In case you missed them, below are some of the highlights of the Budget announcements for businesses and individuals:**

**For businesses:**

- Companies investing in new plant and machinery in the three years from 1 April 2023 can claim a first-year allowance of up to 100% of expenditure.
- SMEs that spend 40% or more of their total expenditure on R&D can claim a tax credit worth £27 for every £100 they spend from April 2023.
- Changes were announced to the film, high-end television, animation, children's television and video games tax relief regimes, as well as those for other creative industries.
- The scheduled 11p a litre duty increases in petrol and diesel will not go ahead.

**For individuals:**

- The lifetime allowance for pensions has effectively been abolished from 2023/24.
- The annual allowance for pensions will be increased by 50% to a maximum of £60,000 from 2023/24 and the money purchase annual allowance (MPAA) will rise from £4,000 to £10,000.
- The energy price guarantee is maintained at the current £2,500 level until the end of June 2023.
- Up to 30 hours of free childcare will be available to working parents of children from the age of nine months by September 2025. Initially, from April 2024, working parents of two-year-olds will be able to access 15 hours of free childcare per week.

# Transfer pricing rules: size doesn't matter!

***UK businesses could be mistaken in thinking they're too small to fall foul of transfer pricing rules***

Misunderstandings about the global transfer pricing rules could be exposing UK businesses with overseas subsidiaries to the risk of tax penalties.

Businesses with branches in other countries may incorrectly believe they don't need to compile transfer pricing documentation – either because HMRC hasn't asked for it or because they think they're too small to be covered by the rules.

**What is transfer pricing?**
Transfer pricing refers to the common requirement of national tax authorities that prices for goods and services exchanged between subsidiaries that are part of a larger group are set at market value.

In principle, such rules exist to stop multinational corporations allocating earnings among their various subsidiaries to cut their global tax liability by shifting profits to lower-tax countries. Profits should be realised where they have been generated in practice, but the subjective nature of a term like market value does mean that a considerable amount of flexibility is still available.

**Guarding against misuse**
To guard against misuse, tax authorities around the world generally require qualifying businesses to produce transfer pricing reports, which set out inter-company pricing for goods and services and explain how that pricing is calculated.

In the UK, HMRC has stipulated a company only needs to produce such a report if it is part of a "large" group. However, in many other jurisdictions the size thresholds are much lower and some countries, including the US, have no qualifying threshold at all.

This means, for example, that a US-based subsidiary, no matter the size of its turnover, may be legally obliged to produce transfer pricing documentation in that country – and a UK parent company should be aware of this and take appropriate action to avoid potentially being penalised by the US tax authorities.

Shipleys is helping several companies with this issue, and we advise businesses with any kind of international subsidiary to check if they are obliged to hold transfer pricing documentation by the tax authority of another jurisdiction.

**What should a transfer pricing report include?**
Typically, a transfer pricing report needs to reflect the going market price for the inter-company transfer of the goods and services concerned. As well as taxable income, transfer pricing can also be applied to intellectual property such as research, patents and royalties. Compiling these detailed reports (one that we have been involved with ran to more than 120 pages) is usually outsourced to a specialist adviser.

It may need to include details justifying the allocation of profits to an overseas subsidiary – for example, because of high-value staff working in that jurisdiction. This is designed to stop allocation of profits to an international branch that might merely comprise a serviced office and, say, a single member of staff.

**Further help**
For help and guidance on transfer pricing, please do get in touch with your usual Shipleys contact. Through our membership of AGN International, we can cover most global jurisdictions. There's more on transfer pricing on the gov.uk website at:
*https://tinyurl.com/yc8673c4*
and from the OECD at:
*https://tinyurl.com/mrxyw5dr*

## Case study

Shipleys was asked to advise a Canadian group which had recently acquired a UK company. The parent company sought our help in putting transfer pricing documentation in place across the whole of its international group. During our work, it became clear that the German, Hong Kong, Singapore and Indonesian subsidiaries were obliged to have transfer pricing documentation. There was some existing documentation – put together locally – in these jurisdictions but it was inconsistent and hadn't been shared with head office.

It also came to light during this assignment that one of the company's branches was in the midst of a transfer pricing investigation by the local tax authority.

REMUNERATION | TAX RATES | PAYE | CORPORATION TAX

# Salary vs dividend – which is now best for business owners?

DIVIDEND

***Changes to corporation tax have muddied the waters in the debate about the most tax-efficient remuneration options for directors. We look at the pros and cons.***

Corporation tax is now 25% for profits over £250,001, with marginal rates at 26.5%. The 1.25% increase in dividend tax rates introduced last year is also still in force. These developments have led many company directors to question whether taking dividends is still more tax efficient than receiving a salary.

Whereas previously the answer has nearly always been yes (dividends are more tax-efficient than salary), the situation is now more complicated – the answer is still yes in most situations but there are now scenarios where salary is cheaper.

We have tried to set out a few 'rules of thumb'* in this article to guide you. However, because this issue is no longer cut and dried, we strongly suggest that you ask for professional advice to ensure you make the most tax-efficient decision for your particular circumstances.

**Tax rates**

One of the reasons why this question has become so complicated is that, simply looking at the relevant tax rates, paying corporation tax at 25% and then paying the dividend tax rates, results in a total tax rate higher than the total tax cost of paying a salary, as illustrated in Example 1 on this page.

However, for the majority of taxpayers, looking at the actual rates paid is too simplistic.

**Why dividends are often still better than salary**

The reason why dividends remain cheaper than salary for most taxpayers is due to the amount that is subject to income tax rates, which is around 25% less than for salary (ie, the amount assessed is after corporation tax).

***Example 1***

| | Higher rate income tax | | Additional rate income tax | |
|---|---|---|---|---|
| | Salary | Dividend | Salary | Dividend |
| **Employers NIC (A)** | 6,063 | | 6,063 | |
| **Salary** | 43,937 | | 43,937 | |
| | 50,000 | | 50,000 | |
| **Profit before tax (B)** | | 50,000 | | 50,000 |
| **Less corporation tax** | | (12,500) | | (12,500) |
| **Dividend** | | 37,500 | | 37,500 |
| **Income tax** | | | | |
| **– Employees NI** | (879) | | (879) | |
| **– Income tax** | (17,575) | (12,656) | (19,772) | (14,756) |
| **(C)** | (18,454) | | (20,651) | |
| **Total tax paid (A)+(B)+(C)** | (24,517) | (25,156) | (26,714) | (27,256) |
| | 49.03% | 50.31% | 53.43% | 54.51% |

**The examples and guidance in this article make several assumptions, the main ones being:*

- *The company has taxable profits at least to the level of proposed dividend/salary.*
- *The taxpayer is below 66 and therefore pays employee's national insurance.*
- *The taxpayer's other income is all salary from the company.*
- *The company pays tax at the top rate of 25%.*

Example 2 on this page demonstrates how a company with a taxable profit of £60,000 that pays a small salary and the balance as a dividend saves more than £6,700 in tax compared with paying the full amount as salary.

In Example 2, the business owner taking the full amount as salary is subject to higher rate tax at 40% on £3,558 of their income (ie, the amount above £50,270). However, the taxpayer taking the dividend route pays no higher rate tax on their dividend as they remain below the limit for higher rate tax.

Therefore, in most situations, despite the marginally higher rates of tax, because of the way income tax bandings work, the dividend route remains cheaper than salary until profits and dividends reach levels in excess of £521,000.

**Rules of thumb**

- Dividends are generally still cheaper than salary until dividends are above £521,000.
- Drawing a small salary up to the national insurance limit and taking a dividend above this level remains tax efficient for most taxpayers.

**When salary is cheaper than dividends**

- Where business owners already have £125,140-plus of income, either from salary or another source of income (other than dividends), then a salary will generally be cheaper than a dividend (although it is marginal, at just over 1% cheaper).
- Once dividends are above £521,000, then salary becomes cheaper than dividends.

**Other considerations**

Although there are situations where salary is now cheaper than dividends, PAYE is payable the following month after the salary payment is made, whereas corporation tax and tax on dividends are collected much later. Therefore, the cash flow advantage or potential interest earned by paying the tax later may be sufficient to mitigate the marginal tax saving.

**Summary**

The difference between taking a salary and a dividend is now far more marginal than it has been historically, so before making any decisions, take advice from someone who fully understands you and your company's tax positions.

## *Example 2*

| | Salary | Dividend |
|---|---|---|
| **Profit before tax** | 60,000 | 60,000 |
| **Employers NIC (A)** | 6,172 | - |
| **Salary** | 53,828 | (9,100) |
| | 60,000 | 50,900 |
| **Less corporation tax (B)** | - | (9,739) |
| **Dividend** | | 41,162 |
| **Income tax** | | |
| **– Employees NIC** | (4,595) | |
| **– Basic rate tax** | (7,540) | (3,210) |
| **– Higher rate tax** | (1,423) | |
| **(C)** | (13,558) | (3,210) |
| **Total tax paid (A)+(B)+(C)** | (19,730) | (12,949) |
| | 32.88% | 21.58% |

## *A reminder*

**From 1 April 2023, corporation tax rates changed to:**

| Profit band | Effective rate |
|---|---|
| £0-£50,000 | 19.0% |
| £50,001-£250,000 | 26.5% |
| £250,001 and above | 25.0% |

**And in the 2023/4 tax year for income tax the 0% dividend allowance has reduced to £1,000. The tax rates on dividend income above the allowance are:**

| | |
|---|---|
| Basic-rate tax payers | 8.75% |
| Higher-rate tax payers | 33.75% |
| Additional-rate tax payers | 39.35% |

## *R&D tax relief changes come into effect*

Claiming research and development (R&D) tax relief can reduce the size of your corporation tax bill, but some businesses may need to adjust their plans to fall in line with changes that have now come into force.

From 31 March this year, the R&D expenditure credit rate increased from 13% to 20%, the small and medium-sized enterprises (SME) additional deduction decreased from 130% to 86% and the SME credit rate decreased from 14.5% to 10%.

From 1 April this year, payments to externally provided workers to carry out R&D only qualify for relief to the extent that those workers' earnings are taxed through the pay-as-you-earn system.

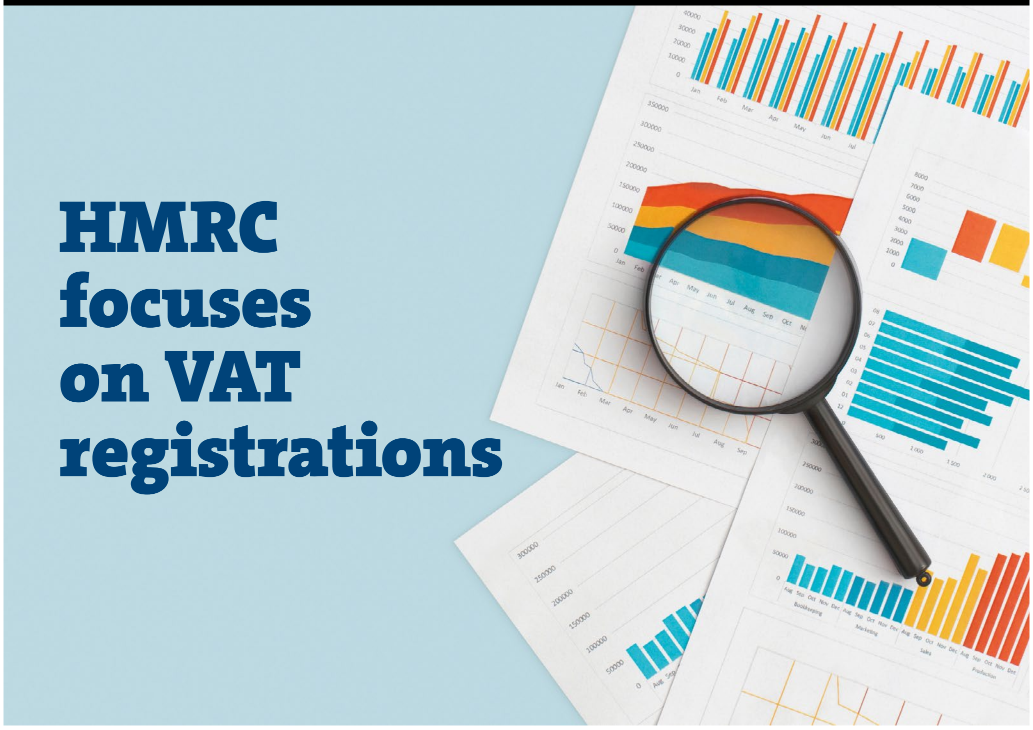
However, from the same date, spending relating to cloud computing and data can be included in R&D tax relief claims. This is a change that will be particularly beneficial for businesses working in the tech and media sectors.

Also from 1 April 2023, businesses must inform HMRC online that they will be making an R&D claim within six months of the end of the accounting period to which the claim relates.

However, plans to restrict R&D tax relief to activities undertaken in the UK with only a very limited scope for claiming any overseas activities have been delayed and will now be introduced from 1 April 2024.

From that date, UK companies that currently claim R&D costs paid to, for example, overseas group companies or overseas third parties may no longer be able to include these costs in their claims. More detail at: *https://tinyurl.com/k8r8nf6b*

VAT corner



# HMRC focuses on VAT registrations

HMRC is running a campaign looking for VAT registrations that might be fraudulent. The investigations are focused on applications made since the start of 2022.

It's our understanding that HMRC will initiate their enquiries by contacting VAT-registered persons, companies or partnerships and asking for evidence of trading activity.

However, we're already dealing with one case in which the HMRC's request for information was accompanied by a cancellation of the registration, adding further delay to recovering VAT on business set-up costs. We have written to HMRC with documentary evidence of trading activity but don't yet know the outcome.

Given that it is already taking HMRC more time than usual to deal with many routine matters, it's likely that this campaign could add many more months to the whole process of getting a VAT number and being able to recover VAT on business costs.

**New penalty regime now in place**

The changed VAT penalty and interest regime for returns beginning on or after 1 January 2023 will be more expensive for some businesses. The headline penalties for a late VAT return – £200 plus another £200 for every subsequent late submission – make the changes appear to be less costly.

However, late payment interest (LPI) starts on the first day after the due date at the Bank of England base rate plus 2.5%. Higher interest rates will therefore make this quite a significant charge.

Furthermore, late payment penalties (LPP) will be imposed, starting at a rate of 2% from day 16 after the due date, with an additional 2% on the amount outstanding on day 30.

So, get returns in on time, even if full payment cannot be made. Pay as much as you can as soon as you can to reduce LPP and LPI. More detail on the Shipleys website at: *https://tinyurl.com/2aubjkd5*

**Holding companies and management charges**

VAT registration and the recovery of VAT incurred on expenditure have always been tricky for holding companies – and it's become more challenging as HMRC targets holding company structures.

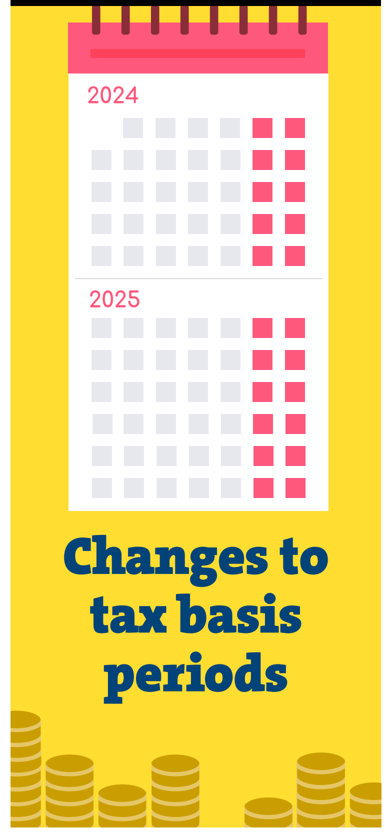
No surprise then that the Shipleys website page outlining the rules that affected businesses need to be aware of is proving popular with our clients. Please go to: *https://tinyurl.com/432rcfps*. If you would like advice or further information, please speak to your usual Shipleys contact.

**HMRC delays**

As mentioned above, HMRC's VAT teams across the UK are still facing significant backlogs, which is affecting the processing of VAT registration applications, VAT group applications, changes to VAT registration details, VAT error disclosures and requests for VAT clearances.

In such circumstances, it's more important than ever to get expert advice to ensure there are no mistakes in any VAT information your business submits, which could exacerbate delays.

Tax matters




# Changes to tax basis periods

Unincorporated businesses are due to enter their first taxable period under new basis period rules, potentially impacting cash flow for some.

The changes affect the tax reporting for self-employed individuals, partners, trusts and estates with trading income. They involve aligning the tax 'year-end' of affected businesses with the fiscal year, taxing them on profits within a fiscal tax year regardless of the accounting period.

Due to be implemented in the 2024/25 tax year, with 2023/24 as a transitional year, the taxable period therefore runs from the start of the businesses' basis period in 2022/23 to 31 March 2024.

In some cases, businesses may initially find they need to add additional months into the following year's profits and will potentially face tax on up to 23 months' profit in one year, with an option to spread the excess profit over five years.

There's more detail on the Shipleys website at: *https://tinyurl.com/427peusc.*

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

# Think carefully before transferring property into companies

Landlords holding property personally can risk being landed with hefty tax bills when transferring their portfolios into a limited company.

Incorporating your property business can be attractive. For one, mortgage interest is deducted fully from taxable profit (instead of tax relief being restricted for personal holdings). Higher yields (net of tax) can also be achieved on property portfolios due to the relatively low corporation tax rate of 19% to 25%, compared to up to 45% in income tax.

But transfer of a property into a company constitutes a disposal by the individual, crystalising both a capital gain if the market value has increased since acquisition, and stamp duty land tax (SDLT).

A key problem for landlords is that, as no actual sale takes place, the incorporation does not generate any proceeds from which to pay a potentially large tax bill.

**Incorporation relief**

However, capital gains tax can be offset through incorporation relief (IR). This allows a gain to be deferred into the new company.

To qualify for IR, the portfolio must constitute a business and all assets must be transferred as a going concern in exchange for shares in the new company.

**SDLT relief**

Relief is only available from SDLT if the portfolio is transferred from a partnership. A partnership is a business that is carried out by two or more people and for this purpose and, in addition to demonstrating that a business exists, the partners of a partnership must show that they are in business together.

This means they must each – that is separately – have sufficient scale to their property activities to indicate they are actively in business, rather than just holding investments. It is advised to have a partnership agreement, a partnership bank account, and have registered the partnership with HMRC.

It's also important to note that it is not enough to just own properties and collect rent. Anti-avoidance rules are in place to stop partnerships being formed simply to benefit from SDLT relief.

Finally you must plan carefully, as once the transfer of the business is made it cannot be reversed. Should HMRC determine that a business does not exist, then CGT and SDLT charges will follow.

For more information on how IR and SDLT relief works, please get in touch with your usual Shipleys contact.


## Reporting and tax deadline for property disposals

A reminder that you need to report any gains on residential property disposals, other than on your main home, and pay the capital gains tax (CGT) due within 60 days.

All UK residents reporting and selling CGT-liable, UK-sited residential property have 60 days to settle. However, this doesn't apply to the sale of a resident's primary UK home and the 60-day rule only applies to the residential element of the gain on a mixed-use UK property.

Non-residents also have 60 days to report UK land sales, on both direct and indirect disposals, whether or not CGT is due.

The £12,300 CGT allowance for 2022/23 has changed to £6,000 for 2023/24, with 18% payable on residential property gains for lower-rate taxpayers and 28% for higher-rate payers. More at: *https://tinyurl.com/5n898a82*

## Companies reminded to revalue residential property

Businesses owning UK residential property worth more than £500,000 need to have had it revalued for Annual Tax on Enveloped Dwellings (ATED) liabilities.

ATED charges are based on six HMRC-defined property value bands. The amount due currently is calculated on a property's value on 1 April 2022, or acquisition value if acquired after that date. The value must be included on ATED returns for the 2023/24 tax year, which are due by 30 April 2023.

An ATED return is required for any UK dwelling wholly or partly used as a residence that is owned by any company, collective investment scheme or partnership (where any of the partners is a company) and valued at more than £500,000.

More at: *https://tinyurl.com/ysx7ack2*

## Avoiding costly VAT errors in property renovations

It's easy to overlook VAT issues connected with the costs of property renovation projects.

Given the complexity involved, it's essential to clarify the VAT treatment in the early stages of a project.

With this in mind, don't forget our handy guide to help developers identify and avoid the common VAT pitfalls. See: *https://tinyurl.com/nfsm9zx9*

# A bigger slice of the action

***Alhassan Goussous explains how his London pizza delivery company has continued its journey of expansion in the face of a challenging economic landscape.***

***"From the outset I wanted to transform a family-run business into a professional organisation with a family feel."***

linkedin.com/company/msaj-pizza-limited/

linkedin.com/in/alhassangoussous/

Pizza delivery business MSAJ Pizza, launched just months before the pandemic, is about to start a whole new chapter in its development.

Having more than doubled the number of takeaway shops it operates since 2019, the London-based Pizza Hut franchise is set to expand into the burger restaurant market.

The company has recently sealed a deal to be a franchisee for upmarket international burger chain Wendy's and is currently scouting locations to open its first quick-service restaurant for the global, US-based fast-food business, which is expanding the UK operation it launched in 2021.

MSAJ began trading in the final weeks of 2019 when owner and MD Alhassan Goussous, a highly experienced international investment banker, came out of retirement to purchase a small franchise of 10 family-run Pizza Hut delivery shops via his private equity company Goussous Holdings.

Alhassan had retired in 2018 as CEO of an Islamic investment bank in Saudi Arabia, but missed business life and set himself the challenge of running an altogether different company. Fond memories of times spent in Pizza Hut restaurants in 1980s and 1990s London drew him to the brand for his new venture.

**Rapid expansion**

Alhassan quickly acquired new outlets – either at new locations or pre-existing Pizza Hut shops – ultimately expanding to an impressive 23 delivery shops plus a totally new quick-service restaurant and delivery outlet in Ilford.

Turnover of the Brentford-headquartered business has grown from £5m in 2020 to a projected £15m this year, while employee numbers have more than trebled to over 400. Currently the firm delivers over 25,000 pizzas every week.

"From the outset I wanted to transform a family-run business into a professional organisation with a family feel," says Alhassan.

Unlike previous franchisees, he employed specialists to head departments and appointed an operations and development manager with two decades' experience at Pizza Hut.

**Big challenges**

Almost as soon as MSAJ Pizzas began trading it faced the challenges posed by the pandemic, and more recently, the cost-of-living crisis.

"There was significant disruption to the business in the early days of the pandemic. Fortunately, the delivery business was allowed to stay open. However, our supply chains were under stress, with many suppliers seriously considering handing in the towel, and it was hard to find and retain employees" Alhassan says.

"If anything, supply chain challenges became worse as the pandemic threat receded. We saw a shortage of key items like dough, cheese and chicken wings, while prices of what we could get increased. Deliveries to our sites would simply not arrive, and our own delivery costs rose due to the high price of petrol and diesel.

"Credit must go to our management team and staff who worked like crazy to find alternative suppliers and wholesalers, picking up supplies wherever they could – albeit at inflated prices – and that got us through."

This year has been even more challenging thanks to inflation pushing up the cost of labour, quadrupling energy costs and driving up ingredient prices by over 20%.

"The Pizza delivery businesses is highly price-competitive, so if costs rise we have to absorb it and reduce our margins. But you can only cut costs so far and our strategy has been to acquire outlets to expand our customer base so we can sell more meals at lower margins."

Expansion comes at a price though, and profitability suffered somewhat last year, although the company still has cash reserves built up during the pandemic to see it through.

**How Shipleys helps**

"Shipleys has been working with us from the outset, advising on tax issues, carrying out audits and the necessary due diligence, and we see them as a valued partner," Alhassan says.

Shipleys' support has also been invaluable in helping the company seal its Wendy's franchise deal, handling critical number-crunching, and preparing the balance sheets and projections required by banks.

Alhassan concludes: "Overall, I'm really happy with where we're heading, and the commitment of our people. We're in a really strong position to benefit when the economy improves and I'm excited about the new opportunities our move into burger restaurants offers."

# Liberate your time!

***Shipleys Business Club members focused on the issue of time management and productivity, discussing ways to release time for the things that matter most.***

Being busy is the norm, but it doesn't always equate to being productive. That was the consensus view among members at our most recent regular get-together – aimed, as ever, at sharing business insights and experiences.

Busy not necessarily meaning productive is certainly something that seems to be backed up by research. In a recent Development Academy and Acuity Training study, people reported wasting 91 minutes each day on tasks and meetings that aren't important to their role.

And while technology can boost productivity, it can also be disruptive: in a survey by Timewatch last year, 32% of people reported constantly looking at email.

There are clearly many demands on people's time, but how they choose to respond makes all the difference – as performance coach and business speaker Michael Altshuler says: "The bad news is time flies. The good news is you're the pilot."

Club members shared tips which have helped them use time more effectively at work:

• ***Recognise your strengths and weaknesses:*** this will help you understand where you can make changes. Are you, for example, a 'time martyr' – someone who fills their schedule with other people's requests rather than doing their own tasks, or perhaps you're a procrastinator – always letting things delay your work.

• ***Rethink admin:*** can you delegate any of it to be more productive – or can you focus on it only outside key 'productive' hours, after 4pm, for example?

• ***Manage expectations:*** an imposed/unrealistic deadline can be distressing. Talk to colleagues or clients early on about an outcome both parties will be happy with.

• ***Allow time for key decisions:*** rushing them bring risks in the long-term. Give people more information and reflection time if they feel it is warranted.

• ***Play to your energy levels:*** Everyone is different so organise your work with this in mind – some prefer challenging assignments first thing in the morning, while others may benefit from tackling them later in the day.

• ***Find better ways to say no:*** instead of refusing a work request, show enthusiasm for it but explain that time, resources or cost constraints could prevent completion. This may lead to a joint rescoping of the task that suits both parties.

• ***Help people to help you:*** give colleagues and customers plenty of warning about your busy times or holiday dates.

• ***Delegate but help colleagues to succeed:*** if you delegate work to a colleague, make sure they have everything they need to complete the task well.

More detail at:
*https://tinyurl.com/4d7556vs*

To join future Business Club events, email *lopeza@shipleys.com*



# A bumper number of promotions

January 2023 began with a bumper number of promotions at Shipleys, with 14 colleagues promoted across the firm's two offices.

Alex Beck, David Crow, Joe Sylvester and Emma Welham progressed to the role of supervisor. Annabel Akowuah, Beatrice Churchill, Georgina Cooper, Sam Dowell-Bennett, Naomi Lawson, Peter Mackintosh and William Wan were promoted to assistant manager. Furthermore, Neil Adamson, Andrew Howard and Kerrie Knowles are now managers.

Commenting on the news, Steve Foster, Shipleys Managing Principal, said: "We are delighted so many colleagues gained promotion this year. Progression is a key part of the Shipleys experience and one we readily encourage and support. It helps us to deliver continuity, reliability and a quality of service which is greatly valued by our clients."

He added: "The January promotions recognise all the hard work and contributions these colleagues have made to the firm and are thoroughly deserved. On behalf of everyone at Shipleys, I congratulate each of them on their progression. We are all looking forward to working with them in their new roles and wish them the very best."

# Don't forget to claim your crypto losses

In general, HMRC treats engagement with cryptoassets like bitcoin, litecoin and ether as investing, with gains and losses subject to capital gains tax (CGT) when they're disposed of. Cryptoassets are defined by HMRC as "cryptographically secured digital representations of value or contractual rights that can be transferred, stored and traded electronically".

In rare circumstances where an individual is trading with such frequency and sophistication that HMRC would consider them to be carrying out a trading activity, then income tax could apply rather than CGT.

However, some individuals (and companies) may potentially have capital losses from holding cryptoassets, particularly following the crypto market crash in November 2022.

Those losses could be due, for example, to the resultant fall in value of their assets or the loss of assets due to the collapse of FTX Trading Ltd – one of the largest crypto exchanges.

It's advisable to review any capital losses on cryptoassets and to make a claim, where possible but the timing of claims could be important. There are some unusual cryptoassets available and care needs to be taken over how any income and sales proceeds are treated.

A capital loss for an individual must be claimed within four years of the end of the tax year in which it arose, so by 5 April 2024 for losses that arose in 2019/20, for example.

Making a claim for capital losses on cryptoassets could help to soften the blow of the severe cuts in the CGT annual exemption – down from £12,300 to £6,000 since 6 April this year and down to £3,000 from April 2024.

Shipleys has been advising clients on the tax treatment of cryptoassets for some years now. For help and guidance, please do get in touch with your usual Shipleys contact.

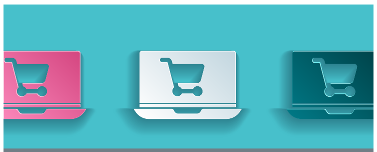
# The tax implications of home letting via Airbnb

Letting out all or part of your home via sites like Airbnb can generate welcome income, but there are also tax considerations to think about.

How much tax you pay depends on the income you generate, how much of your home you let out and how often.

There is £7,500 per year rent-a-room tax relief on gross rental income on qualifying property, while VAT-registered landlords pay 20% VAT on rent and must keep digital records in accordance with the Making Tax Digital initiative. Business rates may be payable, subject to certain reliefs.

Seeking professional advice is recommended – particularly for potential capital gains tax liability when selling a property that has been let. More details at: ***https://tinyurl.com/yc277f23***



# HMRC targets income from digital platforms

Thousands of social media influencers and online sellers are being sent so-called nudge letters, in which HMRC asks them to either make a disclosure about their income or state they have nothing to report.

Some influencers who receive payment in the form of clothes, holidays or beauty products, or any other 'freebies', for promoting a brand might not realise that they may need to pay tax on these goods and services.

People selling online will also need to declare their earnings and complete a self-assessment tax return if they earn over the annual trading allowance of £1,000.

They may also owe capital gains tax if they generated a profit of more than £12,300 in the last tax year selling high-value second-hand items, if they are not 'trading'. More sellers are likely to get caught by CGT after the annual allowance was cut to £6,000 from April this year.

# Start date for digital tax returns delayed

The launch of making tax digital for income tax self-assessment (MDT ITSA) has been postponed from April 2024 until 6 April 2026, and it will be introduced in phases.

Self-employed individuals and landlords with a turnover exceeding £50,000 will be mandated to join from April 2026, while those with turnovers greater than £30,000 will be obliged to use it from April 2027.

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