Do you need to protect at risk trades or assets?

There are many reasons why the re-positioning of a company’s business or assets may be considered, but one of the key aims is to protect against business risks, particularly during this pandemic, where there may be an increased risk of business interruption or disruption. This is most important for clients that have been affected by the lockdown. Our clients have been able to use our advice to assist our clients when they need it most. Our clients are advised by our EQ Taxperts to discuss these issues with us.

In cases where a company has already been affected by the lockdown, the re-positioning of assets may provide a layer of protection against further disruption. In some cases, this may allow for the company to continue trading in a more financially stable environment.

COVID-19 and the statutory residence test

At the start of lockdown, many taxpayers and their employers were concerned about the impact that additional unplanned days spent in the UK, due to COVID-19-related restrictions, would have on their tax residency status. Chancellor, Rishi Sunak, wrote a letter to the Head of the Treasury Select Committee on 9 April stating that the Statutory Residence Test (SRT) would be temporarily amended to ensure that for any individuals spending time in the UK working on COVID-19 related activities between 1 March and 1 June 2020, these days will not count towards the residence tests.

New guidance was also issued which states that if someone spends more time in the UK than planned due to the following reasons, up to 60 days spent in the UK can be treated as exceptional circumstances and can be ignored for the purposes of the SRT:
- If you are quarantined or advised by a health professional or public health guidance to self-isolate in the UK as a result of the virus
- If you are advised by official Government advice not to travel from the UK as a result of the virus
- If you are unable to leave the UK as a result of the closure of international borders, or due to a new or existing lockdown
- If you are advised by your employer to return to the UK temporarily as a result of the virus

In conclusion, it is important to consider the re-positioning of assets when planning for the future during the lockdown. Our clients are advised by our EQ Taxperts to discuss these issues with us.
As of the 6th of April 2020, the final changes in the restriction of loan interest to basic rate were enacted. Over the past four years, the effect of these changes has begun to bite, resulting in many landlords questioning the structure of their portfolios. For new entrants to the market, virtually all are opting for limited company structures and given the rate of corporation tax, 19%, is so low, it's hard to argue with that.

For existing landlords, the position is much clearer given that the costs of incorporation can be prohibitive to change.

Chancellor, Rishi Sunak, announced some interesting headlines in his recent Economic Statement, including a temporary VAT reduction to just 5% for hospitality, to discuss your circumstances.

One of the main issues faced by limited companies is the interest cost of buy to let borrowing, which is often more expensive and less flexible for companies than individuals. While this has been improving in recent years, lenders are still not fully on board with corporate borrowers.

Whatever your position, with the ongoing financial crisis we are experiencing, good advice is more crucial than ever to ensure that your portfolio, its ownership and its borrowing terms remain fit for purpose. We act for over 1,000 landlords and know this territory well, please get in touch with our Property Taxperts to discuss your circumstances.

**Rewarding staff with non-cash incentives**

Due to the cashflow difficulties faced in the last three months and the potential ongoing difficulties, many businesses will increase their staff costs or go to part time. Therefore, in order to motivate their staff, employers may wish to consider non-cash incentives, such as offering options over shares in a qualifying Entitlement Management Incentive (“EMI”) share scheme.

An EMI share scheme is a flexible arrangement whereby key employees are offered the opportunity to acquire shares in a company at a future date. Most of the shares are valued on the market value of the company. Due to the uncertainty in the economy at this time, it is likely that the valuation of shares subject to EMI options will be lower than they would have been, say, 6 months ago. As we come out of lockdown, there will be a significant workload for business owners to contend with. It is important to consider whether the future challenges ahead and it is vital that key employees are incentivised and retained. Therefore, offering an element of equity in the company gives the perfect blend of rewarding loyalty and ensuring that the individual is retained in the business and does not join a competitor.

The reward to the employee can be significant. If the share price is at a low point now, the issue of the share option allows the employee to benefit in any future increase in value of the company and if there is a disposal, enjoy the significant saving to the key employee, with the potential for the key employee to be a supplier, with the alternative being an employer paying them a cash bonus for their services, which has a significant tax cost. Under the right circumstances, an EMI share option scheme has the chance to be a win win! One point that is important to note is, the tax advantages do not work if deferred salary is in shareholders options as varying salary already earned, or accepting an alternative to cash, is still taxable as earnings on the original amount. Any award must be given for commercial reasons to retain and/or motivate an employee rather than for any other purpose.

An EMI share scheme is only available to independent companies that carry on a qualifying trade, and the employees concerned must work for the company 25 hours per week or 75% of their working time. In other circumstances alternative share schemes may offer a more efficient route. Growth or flowering shares, could be considered.

For more information or to discuss implementing an EMI scheme, please contact our Employee Solutions Taxperts.

**Do you have tax investigation protection?**

It would be reasonable to assume that with the significant cost of the Government support provided during the pandemic, investigations into both personal and business tax returns will increase. As a result, we may see an increase in tax investigation protection.

Although it’s impossible to completely avoid the risk of an enquiry, you can minimise the risk of selection by considering a few simple steps:

- Disclose all your sources of income in your tax return – don’t ignore things like property income, even if no profit is made, it must still be disclosed.
- Make sure you explain any unusual entries – think of it from HMRC’s point of view, if something looks unusual, they may need to open an enquiry to find out why.
- Try to avoid using estimates – if you have estimate then this needs to be marked accordingly and amended when the data becomes available.
- Make sure your tax return is submitted on time and tax payments are not late.
- Keep good records – this reduces the likelihood of you making a mistake.

It is also very important to produce accurate records to support your tax return entries if you do get an enquiry.

- Correct treatment – some aspects of tax legislation are incredibly complex so it’s important to seek advice from a suitably experienced tax expert where appropriate.

Even where there are no errors in your tax affairs, an enquiry can cost thousands of pounds to defend. Tax investigation protection is a cost-effective way of removing the risk of significant fees to defend the enquiry at a time when cash flow for most people is particularly important.

Should you receive an enquiry, our EQ Taxperts can help minimise any tax payable as well as make the process as stress free as possible.

**Are Capital Gains Tax changes afoot?**

Chancellor, Rishi Sunak, has written a letter to the Office of Tax Simplification asking for a review of the workings and basis of Capital Gains Tax. It is clear from the letter, which, in an unusual move has been made public, that this is going to be a root and branch review of this, typically, generous tax. This provides a potential insight as to how the tax is to be targeted in any future lagging tax as we move towards a phase where there is an attempt to rephase the public finances.

Head of EQ Taxation, David Morrison, commented, “Given the current economic conditions which we are experiencing now, this letter is the first indication of the Chancellor’s initial thinking as to how best to raise more tax. Large increases in capital gains tax income tax, and corporation tax revenues are the result of raising tax revenues and therefore it seems clear that the Chancellor has made it clear that capital gain perceived wealth with Capital Gains Tax and Inheritance Tax must under the microscope.” If you would like to discuss your tax position with an EQ Taxpert get in touch with one of our team.

We may all be feeling slightly more mortal than we used to. This might prompt you to think about your will, business succession and also Inheritance Tax. We don’t want to see anyone more able than you don’t have one, get one. We always have plenty to say about Inheritance Tax, how best to plan for it. Currently circumstances may advance your desire to think about it. The needs of the tax system have changed, it is time for a review. In the right circumstances this can be done with no immediate charge to Inheritance Tax or Capital Gains Tax. Investment assets are always more difficult to assess on without incurring a tax charge but current reductions in value may mean it is more manageable.

There have been several reports over the past three months and the potential ongoing difficulties, many businesses will increase their staff costs or go to part time. Therefore, in order to motivate their staff, employers may wish to consider non-cash incentives, such as offering options over shares in a qualifying Entitlement Management Incentive (“EMI”) share scheme.

An EMI share scheme is a flexible arrangement whereby key employees are offered the opportunity to acquire shares in a company at a future date. Most of the shares are valued on the market value of the company. Due to the uncertainty in the economy at this time, it is likely that the valuation of shares subject to EMI options will be lower than they would have been, say, 6 months ago. As we come out of lockdown, there will be a significant workload for business owners to contend with. It is important to consider whether the future challenges ahead and it is vital that key employees are incentivised and retained. Therefore, offering an element of equity in the company gives the perfect blend of rewarding loyalty and ensuring that the individual is retained in the business and does not join a competitor.

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For more information or to discuss implementing an EMI scheme, please contact our Employer Solutions Taxperts.
As of the 4th April 2020, the final changes in the restriction of loan interest to basic rate were enacted. Over the past four years, the effect of these changes has begun to bite, resulting in many landlords questioning the structure of their portfolios. For new entrants to the market, virtually all are opting for limited company structures and given the rate of corporation tax, 19%, is so low, it’s hard to argue with that.

For existing landlords, the position is much less clear given that the costs of incorporation can be prohibitive to change.

There are, however, some tax reliefs available in Capital Gains Tax and IHT which can provide some alleviation and it’s well worth checking out the logistics with an experienced property professional.

One of the main issues faced by limited companies is the interest cost of buy to let borrowing, which is often more expensive and less flexible for companies than individuals. Whilst this has been improving in recent years, lenders are still not fully on board with corporate borrowers.

Whatever your position, with the ongoing financial crisis we are experiencing, good advice is needed to consider your position, the make up of your portfolio, its ownership and its borrowing terms remain fit for purpose. We act for over 1,000 landlords and know this territory well, please get in touch with our Property Taxperts to discuss your circumstances.

**Do you have tax investigation protection?**

We may all be feeling slightly more mortal than we used to. This prompt you to think about your will, business succession and also, how much tax needs to be collected to pay for the COVID-19 support measures currently in place. IHT may look very different in the future so plan now. Contact our Private Client Taxperts to discuss your circumstances.

**Rewarding staff with non-cash incentives**

During the COVID-19 pandemic, the government introduced a number of short term schemes to help retain employees. Currently, the furlough scheme is set to run until October 2020. However, a number of other initiatives are available and employers may wish to consider non-cash incentives, such as offering shares in a qualifying Enterprise Management Incentive (“EMI”) scheme.

An EMI share scheme is a flexible arrangement whereby key employees are allowed to acquire shares in a company at a future date. This help in reducing the dilution on the market value of the company. Due to the uncertainty in the economy at this time, it is likely that the valuation of shares subject to EMI options will be lower than they would have been, say, 6 months ago. As we come out of lockdown, there will be a significant workload for business owners to contend with, which will challenge them and it is vital that key employees are rewarded and retained. Therefore, offering an element of growth in the company gives the perfect blend of rewarding loyalty and ensuring that the individual is retained in the business and does not join a competitor. The reward to the employee can be significant. If the share price is at a low point now, the issue of the share option allows the employee to benefit in any growth in future value of the company and if there is a disposal, enjoy the preferential CGT tax rate of 10% on the increase in value. This has the potential to provide a significant windfall to key employees, with the alternative being an employer paying them a cash bonus for their services, which has a higher CGT cost. Under the right circumstances, an EMI share option scheme has the chance to be a win win.

One point that is important to note is, the tax advantages do not work if deferred salary is to be paid in shareholders options as varying salary already earned, or accepting an alternative to cash, is still taxable as earnings on the original amount. Any award must be given for commercial reasons to retain and/or motivate employees rather than any other purpose.

For more information on share options or to discuss implementing an EMI scheme, please contact our Employer Solutions Taxperts.

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Whatever your position, with the ongoing financial change we are experiencing, good advice is critical. We urge you all to ensure that on the market value of the company. Due to the uncertainty in the economy at this time, it is likely that the valuation of share subject to EMI options will be lower than they would have been, say, 6 months ago. As we come out of lockdown, there will be a significant workload for business owners to contend with, so if you have challenges ahead and it is vital that key employees are recruited and retained. Therefore, offering an element of equity in the company gives the perfect blend of rewarding loyalty and ensuring that the individual is retained in the business and does not join a competitor.

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One point that is important to note is, the tax advantages do not work if deferral is in share option schemes as varying salary already earned, or accepting an alternative to cash, is still taxable as earnings on the settlement amount. Any award must be given for commercial reasons and not for the employee to opt out of their salary or to go part time. Therefore, in order to motivate their staff, employers may wish to consider non-cash incentives, such as offering options over shares in a qualifying Enterprise Management Incentive (“EMI”) share scheme.

An EMI share scheme is a flexible arrangement whereby key employees who are optioned to acquire shares in the company at a future date. These shares are “traded” on the market value of the company. Due to the uncertainty in the economy at this time, it is likely that the valuation of share subject to EMI options will be lower than they would have been, say, 6 months ago. As we come out of lockdown, there will be a significant workload for business owners to contend with, so if you have challenges ahead and it is vital that key employees are recruited and retained. Therefore, offering an element of equity in the company gives the perfect blend of rewarding loyalty and ensuring that the individual is retained in the business and does not join a competitor.

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Do you need to protect at risk trades or assets?

There are many reasons why the re-positioning of a company’s business or assets may be considered, but one of the key aims is usually to protect business activities or high value/key assets. For example, if a business has been negatively impacted by trading conditions, particularly in the current climate, there may be benefits in separating certain assets (e.g. trading property, surplus cash or other key trading assets) from the main trading business or separating parts of the business that are still performing well.

The approach to the re-positioning of assets is an important step and will vary depending on the circumstances. Tax is an important consideration, but other factors such as, ensuring your business is set up to facilitate your longer term plans, are also important. For example, whilst the separation of trades can be useful for managing risks, it may also allow for different options when disposing of the business in future.

In cases where a company has traded successfully and accumulated assets, it is often sensible to re-position these assets to protect against business associated risks. We recently worked with a client to create a new group structure that allowed excess cash and other valuable assets to be transferred to a new holding company, providing a layer of protection from trading risks.

We have seen a rise in the number of business owners wanting to protect the wealth they have created, and our Taxperts will work with you to ensure that any asset re-positioning meets your current needs and future plans, whilst also ensuring that with careful planning any tax costs can be mitigated. Get in touch with our Transaction Taxperts for more information or to discuss your circumstances.

COVID-19 and the statutory residence test

At the start of lockdown, many taxpayers and their employers were concerned about the impact that additional unplanned days spent in the UK, due to COVID-19-related restrictions, would have on their tax residency status.

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All that glitters

Our R&D tax credits team is proud to have achieved over £20m in tax savings for our clients. Particularly during this pandemic, we know how valuable that support has been, and we have fast-tracked claims to assist our clients when they need it most. Our clients have been able to use these savings to invest in their team, their equipment and their future.

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Chancellor, Rishi Sunak, has written a letter to the Office of Tax Simplification asking for a review of the workings and basis of Capital Gains Tax. Read more on Page 2.

EQ Taxperts

Contact us at 01307 474274 or 01382 312100 for specific advice on how the issues raised could affect you.

disclosure: We make every effort to ensure that the information provided is accurate and up to date; however, EQ Accountants LLP cannot be held responsible for any action taken, or not taken, as a result of reading this publication.

All that glitters

Our R&D tax credits team is proud to have achieved over £20m in tax savings for our clients. Particularly during this pandemic, we know how valuable that support has been, and we have fast-tracked claims to assist our clients when they need it.

R&D Taxperts

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50% capital gains tax relief on the disposal of a business in future.

Do you need to protect at risk trades or assets?

There are many reasons why the re-positioning of a company's business or assets may be considered, but one of the key aims is usually to protect business activities or high value key assets. For example, if a business has been negatively impacted by trading conditions, particularly in the current climate, there may be benefits in separating certain assets (e.g. trading property, surplus cash or other key trading assets) from the main trading business or separating parts of the business that are still performing well.

The approach to the re-positioning of assets is an important step and will vary depending on the circumstances. Tax is an important consideration, but other factors such as, ensuring your business is set up to facilitate your longer term plans, are also important. For example, whilst the separation of trades can be useful for managing risks, it may also allow for different options when disposing of the business in future.

In cases where a company has traded successfully and accumulated assets, it is often sensible to re-position these assets to protect against business associated risks. We recently worked with a client to create a new group structure that allowed excess cash and other valuable assets to be transferred to a new holding company, providing a layer of protection from trading risks.

We have seen a rise in the number of business owners wanting to protect the wealth they have created, and our Taxperts will work with you to ensure that any asset re-positioning meets your current needs and future plans, whilst also ensuring that with careful planning any tax costs can be mitigated.

Get in touch with our Transaction Taxperts for more information or to discuss your circumstances.

EQ Accountants of Scotland and have a 100% track record of successful, credible claims. However, we know how valuable that support has been, and we have fast-tracked claims to assist our clients when they need it.

Our clients have been able to use these savings to invest in their team, and in carrying out their equipment and their future.