

BUSINESS &
COMMERCIAL

Newsletter

ENTERPRISE



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ALBERT
AG GOODMAN

CHARTERED ACCOUNTANTS, TAX CONSULTANTS & FINANCIAL PLANNERS



welcome

Welcome to the Autumn edition of our Enterprise Newsletter!

A lot of things can happen in a short space of time - and this has certainly been the case at Albert Goodman as since our last newsletter we have moved into Goodwood House on Blackbrook Business Park, our new head office in Taunton. The newly refurbished building is fantastic and provides our staff with a modern working environment and the latest technology to allow us to continue to deliver a first class service to our clients. We look forward to welcoming as many of you as possible to our new home.

The introduction of open banking is another significant change in recent months and Tom Hawes from our Cloud Accounting Team provides more detail on this in his article on page 4. If you are a Xero user check out page 14 for a reminder of the changes to their pricing.

We're also delighted to feature two guest articles - David Culshaw from Porter Dodson provides some useful guidance on the importance of a shareholders agreement and there is also a feature article from Digital Taunton. Don't be put off by the name - Digital Taunton are passionate about ensuring Taunton AND Somerset becomes a hub for digital innovation and collaboration. Their events are held on the last Thursday of each month, and if you want to listen to the fantastic speakers but can't make it in person the event is streamed on Facebook Live.

Elsewhere there is information on electric cars, changes to the reduced VAT rate for energy saving materials and one of our newest Partners, Sophie Parkhouse, looks at cyber security risks and the requirements of The Modern Slavery Act. Sophie was also elected as the President of the ICAEW South West Committee in May.

To wrap up, we profile Mike Seagrove, a director in our financial planning team.

Whilst lots of things have happened over the last few months, one of the things that hasn't is Brexit!

By next time... who knows! But in the meantime, enjoy the read.

Mike Cahill
Partner



PRIVATE CLIENT

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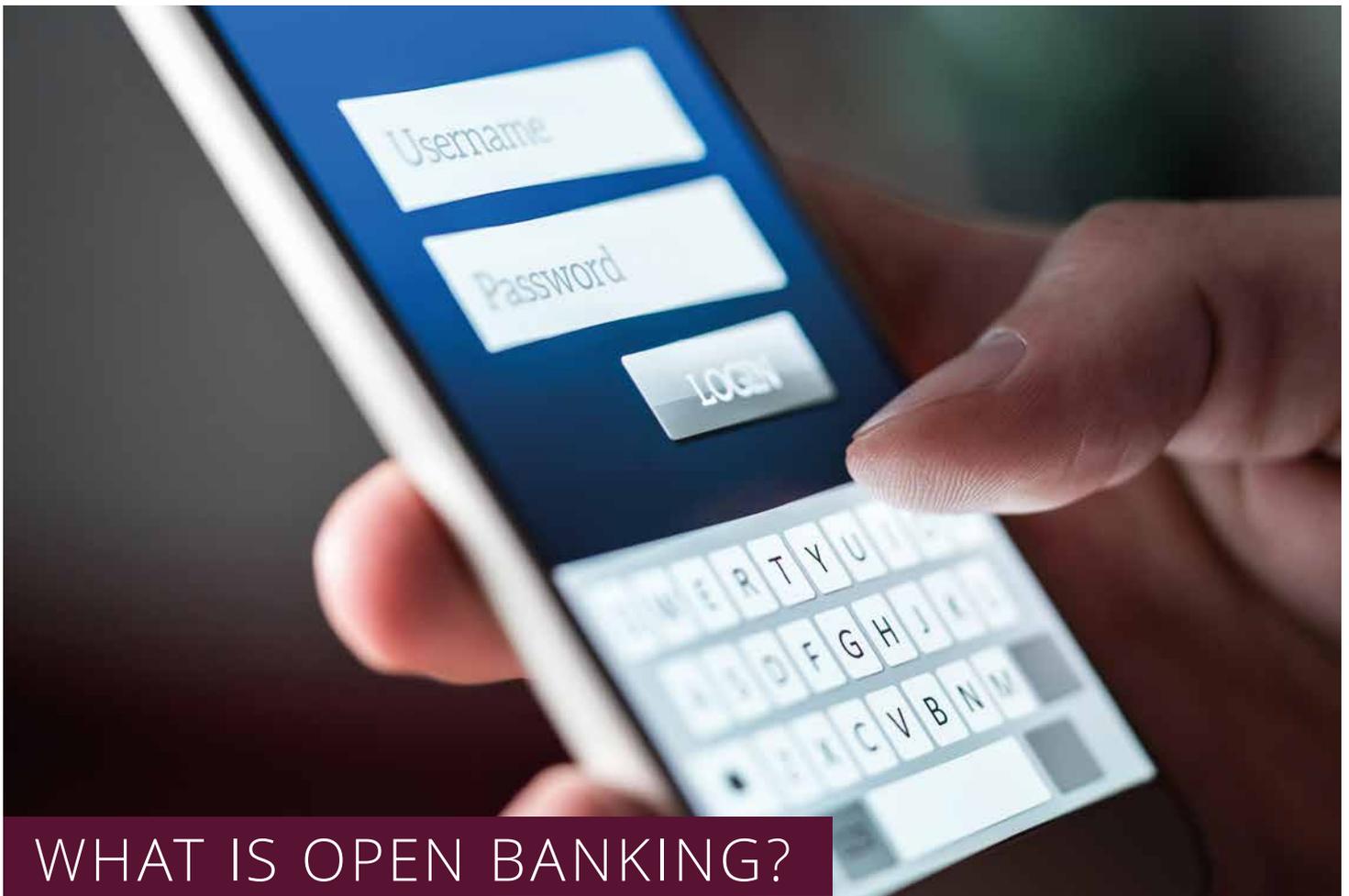
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Mike Seagrove (Financial Advisor)



WHAT IS OPEN BANKING?

Remember when GDPR was the new set of regulations on everyone's lips? Well now there's another new directive in town - PSD2, or the Revised Directive on Payment Services. This new set of rules aims to ensure that consumers are better protected when using online banking and payment services, and to promote development and innovation within that industry. Open Banking is the resulting technology from these aims.

Open Banking improves the accessibility and security of how bank customers can access or share their banking information. The regulations require banks to maintain an open API system, to which any software developer can build a connection to. These new API systems should be up and running by 14th September 2019.

These connections could be for a variety of purposes - whether that's collating and reviewing your income and expenditure from multiple sources;

- streamlining your payment processes from information in other systems not currently linked to your bank
- gaining access to alternative funding sources such as invoice factoring providers outside of the normal high-street lenders
- or perhaps just giving you better oversight in to the ins-and-outs of your bank account

You may think that this isn't much of a change if, for example, you are already used to having your bank connected to and feeding transaction information to your accounting software. You are mostly right. In such

a case Open Banking is just a potential change in the background working of that system, but Open Banking provides that experience for a much wider variety of banks, account providers and regulated services.

If you want to take advantage of an Open Banking connection, you will need to be using online banking, but once you have access to this you are able to control which services you connect to and benefit from.

For more information and to search the institutions already signed

up to Open Banking, visit the Open Banking website at

<https://www.openbanking.org.uk/>

If you're interested in moving your business systems and records online to take advantage of Open Banking, get in touch with us to discuss your options.



Tom Hawes

Cloud Accounting Team

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CHANGES TO THE REDUCED VAT RATE FOR ENERGY SAVING MATERIALS

Changes to limit the scope of the reduced rate (5%) on some Energy Saving Materials (ESM) are being made this autumn. The changes affect the installation of wind and water turbines and limiting the reduced rate to the labour element where the value of materials is a significant element of the value of the work.

If you are a business involved in supplying and installing ESMs these changes may well affect you. If you are thinking of having turbines or ESMs installed you may be able to take action now to retain the reduced rate that would otherwise be lost or limited.

WIND AND WATER TURBINES

The reduced rate will no longer apply to the installation of wind and water turbines.

OTHER SUPPLIES OF ESMs

(Excluding Wind and Water Turbines)

The reduced rate will remain fully available for the installation of ESMs in residential accommodation where the supply is made to:

- a person who is aged 60 or over
- who is in receipt of certain benefits
- is a relevant housing association
- or where the residential accommodation is a building or part of a building used solely for a relevant residential purpose

There are specific rules on what is a relevant residential purpose building but the following are examples of buildings which are likely to fall within this category:

- nursing and care homes
- hospices
- student halls of residence

In other cases, provided the value of the ESMs does not exceed 60% of the total value of the charge being made, the reduced rate will also apply to the full value of the supply and installation.

However if the value of the materials themselves exceeds 60% of value the reduced rate will only apply to the service of installation, i.e. the labour element. The supply of goods would be subject to VAT at 20%.

These changes only apply to the service of installing ESMs. If for example your supply is part of a larger contract it may be seen to be a supply of construction services and different rules may apply.

DATE OF IMPLEMENTATION

These changes come into force on 1 October 2019. However they do not apply if payment is made or a contract is entered into before 1 October 2019.

FURTHER ADVICE

If you would like to discuss your own position or require more information about the changes, please contact us.



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NEW HUB FOR THE DIGITAL INDUSTRY



Photography by Ian Lewis, www.360southwest.co.uk



DIGITAL TAUNTON

Working to ensure Taunton and the surrounding areas are recognised as a centre of excellence for digital innovation and collaboration across the UK and beyond.

Following the success of its launch in February 2019, Digital Taunton has gone from strength to strength, with the support from the local community and key local media, including the BBC.

WHAT IS IT?

Digital Taunton is a community of local individuals and businesses who are passionate about ensuring Taunton and Somerset become a hub for digital innovation and collaboration.

The initiative was established after discussions with local government, individuals and businesses wanting to celebrate and encourage innovation in the area, and put Somerset firmly on the map for the digital industry.

By doing so, the group aims to empower and futureproof the local community, as well as supporting Somerset-based professionals to start their careers within the industry. Digital Taunton has also joined the Tech South West steering group to learn how places such as Exeter and Bristol have built up a tech sector.

HOW DOES IT WORK?

Digital Taunton runs a variety of inspiring events for members throughout the year. Held in Taunton's central hot-desking coffee shop, Company Spaces, provides the ideal location for these events. Overlooking the river Tone, the space provides a flexible working environment with high speed Wi-Fi by day, as well as meeting rooms and events, from breakfast briefings to evening networking.

The seminars are professionally produced, resulting in a high-quality event, featuring a wide variety of impressive keynote speakers. Digital Taunton's events are all-inclusive and accessible, with no parameters set around who can attend, providing unlimited opportunities for the community. From start-ups, grass roots practitioners, educators and students to multi-million-pound corporates, CEOs, freelancers and Government-run organisations, Digital Taunton truly caters for everyone.

There are many plans in the pipeline for Digital Taunton. Founder, Shane Griffiths, hopes to run workshops for businesses to share their tech needs and problems, and put them to tech firm audience to provide solutions. The team are also looking at securing funding for an intelligent online platform for its members to develop online relationships, foster commercial opportunities and discover new ways to deliver educational training.

GET INVOLVED

It's free and anyone can become a member. Join by searching for Digital Taunton on **www.meetup.com**. Each monthly event provides an excellent opportunity for those involved or interested in the digital industries to network with like-minded individuals, discuss industry developments, share knowledge and showcase the wealth and breadth of digital career opportunities available in the local area. The events are driven by a network of passionate, local businesspeople - supporting Digital Taunton's mission of learning and connecting with other professionals.

More than 50 firms have already joined the hub, including Bridgwater and Taunton College, Claims Consortium Group and the UK Hydrographic Office. Creating a huge buzz in the community, it has hosted six sell-out events with between 80-95 people attending each one, and many more joining in via the live-streamed event online.

If you are interested in a key note speaker slot, please get in touch with Shane via info@digitaltaunton.uk.



DO WE NEED A SHAREHOLDERS' AGREEMENT?



David Culshaw
Porter Dodson
Solicitors

When people decide to go into business together they usually start out with a shared plan or vision for the business with similar goals. So, if you have these shared plans and visions, why should you invest your time and money in putting in place a Shareholders' Agreement? At its simplest level, the answers are pretty straightforward:

1. CIRCUMSTANCES CHANGE: No one can predict when a change of circumstances may occur. Any number of events such as ill health, family break up or financial difficulty could mean that your interests, priorities and needs change and potentially conflict with the interests of the other owners (and the business itself).

2. PEOPLE DISAGREE: In running a business there are a vast number of decisions that need to be made and opportunities to be evaluated. Even with a shared vision for the business there are plenty of opportunities for disagreement.

Where disagreements arise or the interests of the owners are no longer aligned with each other this can be extremely difficult to resolve. Without a good Agreement in place these disputes can be very damaging to the business and without an agreement, unravelling the relationship between business owners can ultimately result in expensive and uncertain litigation.

SO WHAT IS THE BENEFIT OF HAVING A SHAREHOLDER'S AGREEMENT?

A Shareholders Agreement does not have to be a complicated document, but:

- the process of putting in place an agreement should help to ensure that the interests of the business owners are aligned at the outset (or identify where they are not!);
 - it should include a mechanism to set out how decisions are made and how disputes between business owners are to be resolved;
 - it should set out what happens in the event of changes of circumstances for the individual business owners.
- Agreeing these principles whilst relationships are good is far simpler than trying to reach agreement when the parties have already fallen out, and could avoid expensive and time consuming litigation.



KEY ISSUES

Whilst the law does not require a business to have a Shareholders' Agreement, the importance of an agreement should not be underestimated and examples of issues that should be considered include:-

Decision making: Without any specific agreement between shareholders the vast majority of company decisions both at director and shareholder level are made by a simple majority (more than 50%). For a business owner holding a substantial minority shareholding this may not be acceptable and a shareholder owning e.g. 25% of the shares in a business may justifiably want a right to be involved in (or veto) certain major decisions of the business.

Sale of shares: Unless specifically agreed between the shareholders, a shareholder who wishes to sell their shares is not obliged to offer them to any of the existing shareholders and is entitled to sell those shares to whoever they choose. This can cause difficulties in an SME where personal relationships can be important and where the owners are often actively involved in the running of the business.

Compulsory sale of shares: Without an agreement in place Company Law does not generally put a shareholder under an obligation to sell their shares in any circumstances. This can cause a number of difficulties, including:

- What happens if a shareholder stops working within the business? Would you as business owner be happy for that shareholder to continue to share in the profits of the business without doing any work? Should that

shareholder be obliged to sell their shares to those who are working with the business?

- What happens if a shareholder is guilty of misconduct or fraud? Do they have to leave? Do they get paid for their shares?
- What happens if the shareholders want to sell the Company? Even if a large majority of shareholders want to sell the Company, except in very limited circumstances, without an agreement the majority cannot force a minority shareholder to sell. This could easily put off a buyer who wants to acquire the whole business and can put the minority shareholder in a very strong negotiating position when it comes to agreeing a price.

What happens if a shareholder dies? Should their shares be able to go to their family or should they be sold back to those continuing in the business?

What happens if there is a disagreement between business owners? The vast majority of small differences of opinion can be dealt with by negotiation and compromise but if there is a major disagreement how is this to be resolved?

What happens after a shareholder has left the business? Except for some very limited legal duties there are no automatic restrictions preventing an ex-shareholder joining with the competition, soliciting customers or setting up a competing business. This could be extremely damaging for the business you have spent time and effort building up. A Shareholders' Agreement would regularly address this business risk through the use of restrictive covenants.

In summary, as well as being a framework for business owners to set out some clear principles of how the business will operate and to resolve disputes and manage expectations, a Shareholders' Agreement is much like an insurance policy. There is an upfront cost to putting an agreement in place, but it can save substantial costs in the future if a dispute arises.



With the Government encouraging us to be greener when it comes to our cars, there are some tax advantages currently available and due to be introduced for electric company cars.

COMPANY CAR TAX RATES

The Government has announced new tax rates for company cars coming into effect from 6 April 2020. Zero emission cars purchased during the 2020/21 tax year with a pure electric mile range of 130 miles or more, will be subject to a 0% tax rate when calculating a company car benefit, effectively meaning there will be no benefit in kind. The rate will increase to 2% in 2021/22. This is significantly better than the 16% charge currently in effect.

Pure electric company cars purchased before 6 April 2020 will also benefit from the new tax rates as the rate will be set at 2% for the three tax years to 2022/23.

FUEL BENEFITS

Another advantage of providing electric cars as company cars is that a fuel benefit charge does not apply, as electricity is not treated as fuel in tax law. This can be a big cost saver as a fuel benefit charge can be quite expensive.

Whilst a fuel benefit does not apply, employers may wish for their employees to reimburse them for private journeys travelled in their company cars. Previously, this has been difficult to achieve as employers could not use the advisory fuel rates (AFR) as this only applied to cars with combustion engines. However, from 1 September 2018, HMRC have introduced a new AFR for fully electric cars of 4p per mile.



ELECTRIC CAR CHARGING STATIONS

Employers can also provide charging stations for electric cars to be charged, without a benefit in kind charge. If an employee is using a company car, a charge station can be installed at either the workplace or their home. If an employee wishes to charge their personal electric car, they can charge the car at their workplace with no tax implications, but if a charge station is installed at their home, a taxable benefit in kind will arise.

CAPITAL ALLOWANCES

There are also tax advantages to buying electric cars and electric charging stations in terms of capital allowances.

If a new electric company car or low-emissions car up to 50g/km is purchased by a business, the business can claim 100% First Year Allowances (FYAs) on the vehicle. FYAs are allowable currently until 31 March 2021. This does not apply to the purchase of second hand vehicles.

FYAs are also currently allowable on the purchase and installation of new and unused electric vehicle charging points. This was originally only available until 31 March 2019 for companies and 5 April 2019 for non-incorporated business, however, it was announced at Budget 2018 that FYAs have been extended to 31 March/5 April 2023.



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CYBER SECURITY AND MODERN SLAVERY

With ever increasing compliance and day to day challenges for businesses of all sizes to deal with, our newly appointed technical partner Sophie Parkhouse looks at some key areas that may affect your business.

CYBER SECURITY

Cyber crime continues to be a growing area of risk for all businesses.

In a recent government survey, 60% of medium businesses (50 - 249 employees) had experienced a cyber breach or attack in the last 12 months, with those losing money, losing an average of £9,270. Of these businesses, 23% lost files or network access and 12% had software or systems corrupted or damaged.

Social engineering has always been a popular method of attack however more complex attacks are on the rise, with fraudsters spending more time targeting individual businesses.

Previously simple methods such as emails purporting to be from an MD/FD have been made more difficult to spot. Monitoring of the person in question on social media used to create a more believable story. Picking times when less people are around to question the request, and even installing software on computers to monitor the tone and content of emails to ensure that a fraudulent email looks like a genuine one, are methods now often used.

We would always recommend that if you are unsure of any transaction that you are asked to make, seek verbal confirmation. We would also recommend regular training and updates are provided to staff so that they feel able to raise any concerns. Please see the Cyber Essentials website (run by the National Cyber Security Centre): <https://www.cyberessentials.ncsc.gov.uk/>

for more help and resources.

THE MODERN SLAVERY ACT 2015

Section 54 of the Modern Slavery Act 2015 requires any business in the UK with a turnover of £36 million or above to prepare a slavery and human trafficking statement for each financial year commencing with periods ending from 31 March 2016 onwards.

To whom does it apply?

The act applies to bodies corporate, partnerships and group companies, that carry on business in the UK, supply goods and services and have an annual turnover (being turnover from goods and services less trade discounts, VAT and other taxes based on turnover) of £36million or more.

It is recommended that once a business has produced a statement for one year that it should continue to be maintained and updated in future years even when turnover falls below the £36million limit.

WHAT SHOULD THE STATEMENT INCLUDE?

The legislation does not state the exact content required within the transparency statement. Instead it states that the statement must set out the steps that the business has taken in order to ensure that modern slavery is not present within its own organisation or its supply chains. The statement should also include relevant publications, documents and policies of



the organisation with regard to slavery and human trafficking. This may be done by way of a link rather than inclusion of the full policies and documents. A further requirement is that the statement is easy to read. It is therefore important that the statement is written in plain English and is succinct.

Even where there have not been any steps taken in order to ensure that modern slavery is prevented within the business and its supply chains, a statement to this effect must be provided.

When should the statement be produced?

The statement should be produced annually, to cover the full financial year, for each reporting period ending on or after 31 March 2016 and should be made available as soon as practicably possible after the end of the reporting period. This is deemed to mean within 6 months of the end of the reporting period.

The statement is required to be approved and signed by an appropriate senior person with the business, such as a director for a company, a designated member for and LLP or a general partner for a Limited Partnership.

Where should the statement be published?

The slavery and human trafficking statement must be published on the organisations website and a prominent link provided on the homepage. Where the organisation does not have a website the statement must be provided to a requestor within 30 days of receipt of a request.

What are the consequences of non-compliance?

Where a business fails to comply with the statutory provisions of the act the Secretary of State may seek an injunction through the High Court which will require the organisation to comply. If the business does not become compliant there this will result in an unlimited fine.

What action should I take now?

If your business is affected by this legislation and you have not produced a modern slavery and human trafficking statement, it would be advisable to start to review your business and its supply chains in order to identify any areas of risk with regard to modern slavery and to start putting together your statement.



Sophie Parkhouse
Partner

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XERO'S STANDARD AND PREMIUM PLAN PRICES HAVE CHANGED

From 1 August 2019, the price of Xero's standard and premium subscriptions increased by £2 and £2.50 respectively from £22 and £27.50 to £24 and £30 plus VAT. If you pay AG for your subscription you will continue to benefit from our discount on these published prices.

Xero is focused on delivering customer value and is constantly investing in award-winning innovation - continually adding new features and enhancing existing ones to streamline and simplify day-to-day operations.





PROFILING ALBERT GOODMAN STAFF

MIKE SEAGROVE (FINANCIAL ADVISOR)

■ WHAT DOES A TYPICAL WORKING DAY INVOLVE?

A typical day involves the following:

- Meeting and talking to clients about their financial planning objectives and helping them to achieve them
- Reviewing investment performance
- Researching appropriate solutions
- Promoting financial planning within Albert Goodman to help raise awareness of the importance of protecting businesses, the shareholders and employee's in the event of death or serious illness
- Investments and pension planning

■ HOW DID YOU FIRST GET INVOLVED WITH FINANCIAL PLANNING?

I started working in financial planning in 2000 with Lloyds Bank advising business clients. During my 12 years there, I specialised in providing advice on corporate protection, key person, partnership and share protection, as well as corporate investments and pension planning.

■ WHAT'S YOUR MAIN AREA OF EXPERTISE, AND IS THERE AN AREA YOU ENJOY ADVISING CLIENTS MOST ON?

I have two! Business financial planning which mainly involves business protection. I am also a Society of Later Life Advisor (SOLLA) which involves care home fee planning, trustee investments and inheritance tax planning. I most enjoy helping individuals, attorney's and family members construct a financial plan that will help ensure their future financial security.

■ YOU HAVE TO STUDY FOR A LOT OF DIFFERENT QUALIFICATIONS TO BE A CHARTERED FINANCIAL PLANNER. WHY IS THIS IMPORTANT?

The industry has evolved significantly over the last 10 years as the need to evidence skills and knowledge and

recognised industry standard qualifications becomes mandatory.

The regulator placed the need for all advisors to reach a minimum standard of qualification to enable an advisor to practice and give financial advice, known as Diploma Standard. Chartered Financial Planners need to demonstrate by way of written examination core skills and knowledge which is further supplemented by specialist advice areas such as business financial planning, pension transfer and later life advice. This ensures clients receive the most appropriate advice to meet their needs.

Advisors are individually registered with the Financial Conduct Authority and remain responsible for the advice they give throughout their career. Each advisor needs to evidence a minimum of 35 hours continuous professional development, with specialists like myself having to complete a minimum of 45 hours a year.

■ HOW DO YOU LIKE TO RELAX OUTSIDE OF WORK?

We bought a Victorian town house last year which we are renovating and putting back to its original features. When we are not knocking down walls or painting and decorating, we are working our way around the Devon and Cornish coastal footpaths and have walked from Sidmouth to Falmouth on the South Coast, and Bedruthan Steps to Port Issac on the North Coast - got a way to go!!



Mike Seagrove
Financial Advisor

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