GREAVES WEST & AYRE
CHARTERED ACCOUNTANTS

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NEWS
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Why Leave the Future to Chance

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Read the full article on page 2.

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It's good to talk

There are many family businesses that wrestle with this subject, many successfully, but there can be some disasters too. In the successful cases there exists a willingness to talk about it regularly and often. People's circumstances change, allowing everyone involved to voice their concerns and hopes this often leads to working out sensible solutions that allow things to be passed on when the opportunities arise.

Take advice

Just as people change so do the tax and accounting regulations, speaking with your business advisors is important. Most families in business meet with their accountant at least once a year, but having a separate discussion about succession on an annual basis provides a foundation for making decisions. Likewise, when the family decides to make changes, taking legal advice and using a qualified land agent or surveyor is usually money well spent. A secondary benefit of involving a third party in any discussions, is that they can often act as a facilitator and take the emotion out of any talks.

Getting hit by a bus

All be it rather harsh, a starting point for succession planning can be to look at what would happen if the number "39 bus" came around the corner and killed the current people involved in the business. This would involve an Inheritance Tax (IHT) calculation, which lists all of the assets and all of the liabilities of the unfortunate victim. It would then look at the available reliefs which might reduce the value of the assets i.e. Agricultural Property Relief (APR) and Business Property Relief (BPR). If assets qualify, they could reduce the value of the asset in the deceased's estate by 50-100%.

Once you have quantified the potential value of the estate, you then need to look at the deceased's Will. The consequences of not having a Will are serious - assets could go to places the deceased might never have intended. Worse still, they might leave the grieving spouse with much less security than they would have wished. All family members should have a Will, they should review it every few years to ensure it still does what it is meant to.

If there is potentially Inheritance Tax (IHT) to pay then the family could consider taking out life assurance, which would pay out a lump sum to cover the debt.

Once you know what family members are considering you can look at some "quick wins" thrown up by going through the "39 bus" scenario. These quick wins vary, but can be as simple as an amendment to the Will, which passes more assets to the surviving spouse. Assets passed to a spouse or civil partner are exempt from IHT on the first death, but this will mean that the surviving spouse might have an IHT problem when they die. It could bring assets used by the business onto the Balance Sheet so that it is part of the overall business, allowing you the opportunity of claiming BPR or APR.

If you have a pension this should also be reviewed regularly. Following wide ranging changes in legislation surrounding pensions made in April 2015, it is possible to leave a pension fund to the next generation. It needs to be a modern pension scheme to allow this flexibility, it also requires a form to be in place indicating to the pension trustees the wishes of the deceased as to who should benefit on death.

Once you have tackled the quick wins you may need to tackle some thornier issues – don't ignore them or put them onto the "too difficult" pile of papers on the desk. Should you gift away assets now from your ownership to someone else? When gifting anything away you need to be aware of Capital Gains Tax (CGT) and Stamp Duty Land Tax (SDLT). In Scotland it is Scottish Stamp Duty (LBTT) rather than SDLT. However, these taxes are potential traps when making gifts or transferring assets.

Dealing with CGT the current rates of tax are not a great barrier to transferring assets – 10% and 20% for individuals and for Trusts (28% for certain residential property) as compared to general income tax rates, in England and Wales of 20% / 40% / 45%. There are also some reliefs available which might mitigate any CGT payable.

In summary "plan for the worst and hope for the best!" The earlier you start succession planning and the more you involve the generations, the likelier you are to end up with a solution that suits everyone, and most importantly making sure the family are still speaking!

Start early, take good advice when needed, and regularly review to make changes when it is sensible to do so. Don't forget about the tax and legal implications. It is also important to speak to your advisors before committing to anything major!

Colin Frame

Colin Frame is a farmer's son who diversified into accountancy in 1990, qualifying with the Institute of Chartered Accountants of Scotland in 1993. Members of his family continue to run a beef rearing enterprise in Lanarkshire, Central Scotland. Colin can be contacted at cmf@gwayre.co.uk or at Greaves West & Ayre, Chartered Accountants, Berwick upon Tweed on 01289 306688 where he has been a partner in the practice for 25 years.

The challenges we face in later life are rarely adequately prepared for

We often take steps to fund for future retirement, manage our Inheritance Tax position or make Wills, but **planning for care needs** is seldom at the top of our lists.

As a society we are living longer. Our families and support networks are more widely dispersed. Navigating the world of care homes, Local Authorities and financial assessments is not only complex, but is becoming increasingly likely to be part of our future.

The cost of care is not insignificant- typically, 'basic' care (without specialist nursing or dementia care needs) will cost over £1,000 per week. Care in your own home, or **domiciliary care**, is similarly priced. This means we can expect to face care costs of over £50,000 per annum in later life, if we have care needs which cannot be met by family or friends.

For those who do not have the means to meet the cost of care, the Local Authority will provide financial assistance to ensure your needs are met. However in England* if you have sufficient income, or assets over £23,250 you will be expected to pay your way. Irrespective of the level of your assets, much of your income will be taken to pay towards your care bills.

If you own your own home, this may be included in the calculation of your assets and subsequently deemed part of the capital used to meet your care bills. Some exceptions apply to this rule, the most common being if a spouse or partner remains living in the house.

The Government's **Adult Social Care Charging Reform** aims to place a 'cap' on the cost of care sounds, at first glance, like a ray of hope. To only pay £86,000 in one's lifetime would, at the prices above, potentially save individuals from eye-watering lifetime care bills. However, this cap covers only the **care element** of one's care home costs, which are assumed to be in the region of £538 per week. This is because the rate used to calculate the cap is linked to the Local Authority funded rates, not the rates paid by self-funding individuals. To reach the £86,000 care cap at a rate of £538 per week would take around 160 weeks; based on a self-funder's care bill of £1,000 per week, the true cap for a self-funder is likely to be almost double the headline cap, at £160,000 or more.

As financial advisers we provide support and guidance to those facing care costs. By removing unnecessary jargon, explaining how the care system operates and outlining practical solutions, we help our clients to make informed decisions. If you or a family member would benefit from further information in this area, please contact Corryn Wild. Corryn is one of the Directors at our sister organisation Three Counties Ltd. She specialises in later life advice and is a Society of Later Life (SOLLA) accredited adviser.

Disclaimer This is a potentially complex area, and you should consult a suitably qualified adviser. Government support and regulation can change.

*In Scotland, the costs of **personal care** and **nursing care** are usually fully funded, irrespective of your assets.

Introducing PayCircle

We are thrilled to bring you the latest update from Greaves West & Ayre's payroll department. In our ongoing pursuit of excellence and innovation, we are excited to announce that we are adopting a new cloud-based payroll platform – **PayCircle**. This transition is set to enhance the way clients manage their payroll, making it more accessible and secure than ever before.

Our decision to transition to **PayCircle** is rooted in our commitment to provide our clients with the best payroll service possible. We understand that change can be both exciting and challenging, but rest assured, this transition to **PayCircle** is all about improving our clients' experience with seamless payroll management. Here is what our clients can expect:

Anytime, Anywhere Access:

No more sifting through stacks of paperwork or waiting for the right moment to access your payroll information. **PayCircle's** interface is designed to be accessible on any device – whether you are using your phone, tablet, laptop, or desktop.

With **PayCircle**, both employers and employees will have personalised online portals, granting them instant access to the data they need, whenever and wherever they need it.

Simplified Process:

By taking advantage of the power of cloud technology, we are improving the way we communicate, this means quicker responses and smoother processes equalling a more efficient service for our clients.

Effortless Data Handling:

Gone are the days of cumbersome data handling. For each pay run, clients will upload their data onto the **PayCircle** portal. From there, we will take care of the rest – collecting, processing, and presenting clients with a comprehensive report for your review and approval. Once confirmed, their employees will receive their payslips as scheduled.

Each employee receives a dedicated portal for easy access to payslips and payroll documents.

Uncompromising Security:

We take client data security very seriously. **PayCircle's** top-notch encryption and secure portals ensure that any sensitive information remains well-guarded in the digital realm.

At Greaves West & Ayre, we are committed to providing our clients with exceptional service. We are confident that this shift to **PayCircle** will bring a new level of convenience and security to our clients' business.

paycircle®
an access company

Car vs Van Benefit In Kind

If you are considering purchasing a company car, it is important to understand the benefit in kind (BIK) implications. The BIK rules tax any private benefit a director or employee receives from the company. For any vehicle, you need to determine if it is classed as a car or a van.

The tax treatment of cars and vans is different, and from both an employer and employee perspective, van classification is far more beneficial.

To put it simply, the classification of a vehicle depends on what it's primary use is. A van is primarily suited to carry goods, whereas a car's primary function is to carry passengers. It is important to remember that what a vehicle 'looks like' inside overrides it's outward appearance.

The details lie in the case law. One of the most prevalent cases is Coca-Cola vs HMRC. Coca-Cola provided employees with modified vehicles based on a panel van design but with a second row of seats behind the driver. Employees could use the vehicles privately, which meant the BIK position had to be considered. Coca-Cola argued that the vehicles were vans, but HMRC said they were cars.

It was ruled that these vehicles were cars rather than vans. The conclusion was that they were multi-purpose vehicles, and they could be used for both carrying goods and passengers.

However, there is a particularly complicated area where vehicles typically called 'double cab pick ups' have to be assessed on their payload. It has been established that regardless of how it looks, a double cab pick up must have a payload of at least one tonne to get the van BIK treatment, otherwise it will be treated as a car.

This means that specifications for vehicles such as the INEOS Grenadier, the Mitsubishi Outlander, and the Ford Ranger need to be considered in detail to ensure the correct treatment.

If you think any of your employees have been provided with these multi-purpose vehicles, you should check how these have been treated for BIK purposes. For any such vehicles, where private fuel has also been provided, it is worth checking if the associated mileage logs can be used to make good all private fuel provided since 6 April 2023, to avoid a fuel scale charge in addition to the car benefit. If you are planning to buy any double cab type vehicles in the future, we would advise you to be clear on what the real purpose of the vehicle is. If it is needed primarily to carry goods, then the best advice would be to purchase a clearly definable van – with just one row of seats and no windows on the rear sides. If you choose to purchase a vehicle that has a second row of seats and rear windows, it could be treated as a car.

An extra word of caution – even greater care should be taken when it comes to the VAT treatment of these vehicles, as the rules are much more stringent.

If you are thinking of purchasing a new 'multi-purpose' style vehicle for a director or employee then please speak to us beforehand. We can look at both the VAT and Benefit in Kind implications of doing this.

Community News

It has been a busy few months with some great local causes and community events that we are always pleased to support.

We were proud to support **Berwick Food & Beer Festival** and the **Berwick Amateur Rowing Club's Trade 4s** competition at the end of August. We also supported **Glendale Show, Holm Show** and the **British Horse Society's Blair Castle International Horse Trials**.

Two members of our Berwick office team ran the **Great North Run** in September.

In October we supported the annual **Berwick Literary Festival**. We are once again the main sponsor of the **Berwick Christmas Loyalty Scheme**, which is managed by the Chamber of Trade. This runs through to the end of the year.

In the run up to Christmas all three of our offices are "drop off points" for the **Mission Christmas Cash for Kids** campaign.

British Horse Society, Blair Castle International Horse Trials

Through our own staff community outreach initiative, we have supported:

- **Berwick Darts League** nominated by **Andrew Blair**
- **North Northumberland Hospice** nominated by **Lesley Clark**
- **Tweedmouth Tigers After School Club** nominated by **Joanne Rodger**
- **Berwick WI** nominated by **Anna Spowart**

Berwick Christmas Loyalty Scheme

Tweedmouth Tigers After School Club

Staff News

We have recently welcomed a few new faces into the GWA offices. **William Cleland** joins us as a new Associate, **Tom Deans** joins our Wealth team and **Matthew McBryan** takes up the role of Head of Strategic Projects and Chief of Staff. **Tom Opelt** and **Ben Sanderson** have both joined our Tax team.

Partner, **Alan Patterson** is approaching 50 years of service and **Derek Simpson** celebrates 42 years with the firm and is one of the top three longest serving colleagues. Well done and thank you for all your years of service.

GWA & Three Counties Ltd
FESTIVE OPENING HOURS

Friday 22 December: All Offices Open – 09:00 - 17:00

Monday 25 December - Friday 29 December: All Offices – Closed

Monday 1 January: All Offices – Closed

Tuesday 2 January: Berwick-upon-Tweed & Three Counties – Open

Wednesday 3 January: Haddington – Open

We would like to wish our clients, colleagues and associates A Happy Christmas and a prosperous 2024

Thank you for all your support throughout 2023

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