

**Shares and Assets Valuation Fiscal Forum – 29 September 2014
Fitz Roy House, Nottingham**

List of attendees

Juliet Roche – SAV
Paul Simpson – SAV
Barry Roland – SAV
Gordon Wheeler – SAV

Karen Randall – SAV
Judith Emery-Sisson – SAV
Scott Parker – SAV
Lee Mann – SAV
Kate Green – SAV
David Tatum - SAV
Darren Pearson - SAV

Colin Tait – representing ICAS
Kirti Seth – Grant Thornton UK LLP
Matt Earp – Deloitte LLP
Nicholas Stobbs – V Equity Intelligence
Mike Scoltock – Blick Rothenberg LLP
William Franklin – Pett Franklin & Co LLP
John Nolan – Schroders
Amanda Bailes – PWC – representing ICAEW
Ian Logan – PWC
Stuart Gilham – Ernst and Young LLP
Jim Asher – Collier IP
John Rugman – Smith and Williamson LLP
Ralph Knight – Valuation Solutions Ltd
Steve Lygo – Parmentier Arthur Valuation Services Ltd
Jenny Nelder – Bruce Sutherland & Co
Ed Higgs – BDO LLP
Nigel Eastaway – MHA MacIntyre Hudson
Diane Elliott – BDO LLP
David Hadley
Elizabeth Dainty – KPMG
Michael Weaver – American Appraisal

Apologies

Phil Waller – Mazars LLP
Jonathan Brownson - Royce Peeling Green Limited
Mick Ruse - M H Ruse LLP
Graeme Nuttall - Field Fisher Waterhouse LLP
Mahesh Varia - Travers Smith
Ian Murphie - Share Plan Partners
Peter Gouw - BDO LLP
David Bowes - Bruce Sutherland & Co
Angela Belsten - Ernst & Young LLP
Angela Hennessey - at Angela Hennessey

1. Introduction

Juliet Roche (JR) welcomed everyone to the meeting. She explained that SAV was now a smaller office and was aiming to risk assess better and concentrate on high risk, worthwhile cases. SAV also hoped to use improved digital services in the future.

JR said that the SAV Customer Survey was now out and encouraged people to fill it in.

2. Recent Litigation Cases – Deduction of sale costs

Gordon Wheeler (GW) went through two recent tribunal cases in which SAV had been involved. On a separate matter it had been asked if SAV's practice in relation to deduction of sale costs would change as a result of the decision in *Re Annacott Holdings Ltd (AHL), Attwood and others v Maidment (2013) 2 BCLC*. GW said that in that case the properties were not valued by estate agents and the Judge, on appeal, had allowed a deduction for marketing the property based on the lower value of the property, not the actual market value. This was not a fiscal share valuation case. The disposal of the properties at below market values had actually occurred. The case was exceptional and he thought it unlikely that valuations for fiscal purposes would have similar facts. But if they did, SAV would take careful account of the facts and form a view whether any meaningful comparisons can be made with the AHL case

3. New ways of working in SAV

Barry Roland (BR) said SAV had received some feedback from agents asking why SAV took so long to reply, why we didn't use email and why the post was so slow. To try to combat this, SAV has set up one team to test out an alternative way of working; initially with smaller cases. This team will make earlier contact with the agents by phone to let them know who will be dealing with the case, ask for useful information and have an early discussion about the case. Then the team will correspond more by email and make more use of meetings. It is hoped that these cases can be completed quicker. SAV will evaluate the trial and if it proves successful it will be adopted more widely.

A comment was made that SAV are easy to contact; it is Trusts and Estates who are less so.

BR added that if agents are not willing to work with SAV, we will make quicker and better use of Information Powers.

SAV was asked if valuers who work part time could indicate which days they do work on their letters. This will be passed on to valuers.

4. Review of ITEPA PTVC

BR explained that SAV know that this work is popular but as SAV is now smaller and under pressure, we need to ensure the work is done efficiently. Many of the ITEPA PTVC submissions are very complex and can take a long time for valuers to fathom out what is happening. SAV is looking at a change of procedure, including asking agents to give a clearer explanation up front as to how the agreement will actually work in practice. This should save SAV time and so lead to a quicker agreement. If attendees have any suggestions on better submissions please let BR know.

SAV was asked to explain in our guidance what information we actually do want in valuation reports in different circumstances. JR pointed out this is why SAV wishes to move towards i forms.

5. Update on the Incorporation of Medical Practitioners

At the 2013 Fiscal Forum it was stated that HMRC as a whole had a cross directorate project on the question of the incorporation of medical practitioners and it was hoped then that the

review would be concluded soon. BR is confident that this review will shortly be concluded and added that SAV have been pushing to get this issue resolved.

6. Update on Employee Shareholder Status

SAV has agreed 227 ESS plans up to the end of August 2014. They appear mostly to have been granted to senior staff.

7. Time window for post grant EMI valuation agreements

BR explained that as stated at page [SVM110050](#) in the SAV manual (updated August 2014) 'we can consider a request for an agreed value after the options have been granted, but only while the enquiry window remains open. The grant of options must be reported to the Small Companies Enterprise Centre (SCEC) on form EMI1 within 92 days of the date of grant. The enquiry window is open for a year after that. This means SAV can only consider customers' requests for an agreed valuation for up to fifteen months after the date of grant.'

It is hoped this publicizes HMRC's policy better.

8. OTS inspired changes to quoted share market value definition

BR explained that the OTS (Office of Tax Simplification) had been looking at unapproved share schemes and the barriers to people taking up these schemes. The OTS had found the term 'quarter up price' in relation to quoted shares to be hard for some to explain to their clients, whereas 'closing price' was much simpler to explain. HMRC was implementing the OTS recommendations and had held a consultation exercise on this matter and also on the point that as employees exercising an option often sell the shares the same day, prices could be different if there is a different interpretation.

The plan is not to remove common sense from the procedure, but to better codify it. The consultation period has now closed and HMRC is considering any changes.

9. Information Standards

A question was asked as to whether or when it is appropriate for confidential information about a business (which is not in the public domain) but which could have a material bearing on the market value of the business and its shares to be taken into account in the valuation of relatively small minority holdings in connection with employee share or option awards.

There was some thought that SAV can be inconsistent in its approach, which can be hard to explain to a client and that SAV's guidance is not clear.

BR agreed that Information Standards (which was also discussed at the 2013 Fiscal Forum) is a difficult issue. In general a smaller size holding would require less information, but SAV is guided by what is 'reasonable'.

PS added that information can be disclosed by parties and then there can be a discussion as to whether it is relevant. It is sensible to raise the information in the first place.

JR added that HMRC can ask for information which may be relevant using its Information Powers.

One attendee suggested HMRC took a case to the courts and let them decide. JR answered that if agents refuse to supply information as they think it is not reasonable or relevant, the case could end up in the courts, so there is a route for agents to challenge HMRC.

It was asked what were the limits to confidential information – did these include budget plans or the aspirations of business leaders even if they may not be written down yet? JR said if information was relevant and reasonable it should be provided. For example if clients had

begun to formulate their ideas, so there was some documentation and the information was relevant in the transaction. It is hard to be categorical.

BR reminded people that if they are not happy with how a case is being handled by SAV, they can ask for the case to be looked at by the caseworkers manager. Such a request for a review does not have to be a complaint but just a request for a second pair of eyes in recognition that valuation can often be contentious. Agents should tell SAV if they have an issue so SAV can see the scale of any problem.

10. Business Property Relief – treatment of cash as an excepted asset in an economic downturn

SAV was asked to comment on the apparent variation between SAV's view as stated in the 2013 Fiscal Forum (SAV's view changed in accordance with what was felt reasonable in the prevailing circumstances and that in risky times it might be prudent to hold more cash) and the ICAEW Technical Release 1/14 which said that 'unless there is evidence which directs us to the fact that the cash is held for an identifiable future purpose, then it is likely that it will be treated as an exceptional asset. Therefore, the holding of funds as an excess buffer to weather the economic climate is not a sufficient reason for it not to be classified as an excepted asset.'

BR referred to page [SVM111230](#) of the SAV manual, which said 'in times of recession a company may hold significant amounts of cash and/or other investments and in a period when that company is making losses the income stream could be considered as supporting the company's main trading activity'.

BR added that if a company can be shown to have a proper need for the cash, than that is fine. However, companies cannot just hold cash in a recession just in case; evidence of need is required. JR added that companies do not have the right to say they need cash just because there is a recession. Companies need to demonstrate and justify their business need.

11. Trade Related Property

SAV had received a question asking about a number of Trade-Related property cases being put on hold pending an apparent VOA technical review of valuations that involved transactions where there was no formal transfer of property rights. The questioner wanted to know how many cases were on hold and when the review would be completed.

PS replied that no cases were on hold.

PS said that HMRC and the VOA issued an outline of their policy as well as a VOA Practice Note in February 2009. Since then there have been discussions between the VOA/HMRC and the CIOT which resulted in the issue of an updated version of the Practice Note in October 2013. There are still some fundamental areas of disagreement which are likely to require litigation to resolve.

PS said SAV has around 80 cases in which the underlying property rights are informal (i.e. no formal lease etc.). SAV received informal Solicitors' Office guidance in 2007 as to whether occupants had any rights under Landlord and Tenant Acts. The VOA and HMRC have since reviewed the situation and have asked the Solicitors' Office whether their 2007 advice needs reconsidering. Matters have evolved since 2007 and we need to have a more in depth legal view.

12. Acceptable issue price for shares in a crowd funding exercise

SAV was asked for HMRC's view on whether the issue price for shares in crowdfunding exercises should normally be acceptable as the taxable market value even though unlike with other public offerings there is no aftermarket for the shares and what are the issues that HMRC has identified that crowdfunding poses for share valuations generally?

PS said that SAV had not seen many of these web based investment opportunities coming through yet as they were quite new. He added they could seem a useful example of market value as other people were also investigating at a similar price.

One attendee pointed out that it could be similar to the dot com bubble effect and result in quite high values, this was particularly tied to the nature of the investor i.e. not just an individual willing to take a punt. PS agreed that there could be price distortion depending on the nature of the investor and that when considering such situations SAV would look at such facts as well as the figures involved.

JR said HMRC as a whole is looking at whether legislation and / or guidelines are needed in these cases.

13. AOB

- a) It was asked if an Intellectual Property valuation for financial reporting purposes is also acceptable as the market value.

PS replied that usually in a general sense this was the case, a fair value (FV) should be similar to a market value (MV) as the definitions were closely aligned. However, he did stress that different tax regimes can lead to different values and that in the FV/MV situation Tax Amortisation Benefit could be a differential.

- b) An attendee had seen a case where a PAYE Healthcheck had been dealt with by one SAV valuer, whereas a later PTVC valuation in the same company had been dealt with by a second SAV valuer. He thought it would make more sense for the same SAV valuer to deal with both matters.

BR pointed out that PAYE Healthchecks are high profile and complex cases usually dealt with by a team leader, whereas the PTVC valuations can be more straightforward. So, whilst ideally having the same valuer could be a good idea, it is not generally practical. The information concerning the PAYE Healthcheck will be on file for the next valuer to look at.

- c) It was asked are PTVC valuations still given priority.

BR said yes. Other valuation requests are dealt with in date order.

- d) The next Fiscal Forum meeting will be held in roughly a year's time, probably in London.