

**Shares and Assets Valuation Fiscal Forum – 8 October 2015**

**Parliament Street, London**

**List of attendees**

Juliet Roche – SAV

Paul Simpson – SAV

Barry Roland – SAV

Tony Spindler - SAV

Gordon Wheeler – SAV

Scott Parker – SAV

Pat Adams – SAV

Jill Kelly – SAV

Lesley Toye - SAV

Tracey Wilson – SAV

Jim Asher - Coller IP Management

Fiona Bell - Baker Tilly

Robert Bell - Smith & Williamson

David Bowes - Bruce Sutherland

Albertha Charles - Pricewaterhouse Cooper

Rebecca Clayton - Pricewaterhouse Cooper

Mark Collins - Moore Stephens

Anne Daly - BDO

Errol Danziger - Danziger PLC

Imogen Davies - Withers LLP

Hanut Dey - KPMG

Diane Elliott - BDO

Charlotte Fleck- Pett Franklin

Mark Gearing - Field Fisher

Stuart Gilham- Ernst & Young

Mairi Granville-George - Osborne Clarke

David Gudmussen - Ernst & Young

Kulsoom Hadi - Travers Smith

David Hadley - Kingston Smith

Ed Higgs - BDO

Laura Hill - Pricewaterhouse Cooper

Robin Jackman - Deloitte

Amarveer Johal - Grant Thornton

Ralph Knight - Valuation Solutions

James Lindon - Orrick, Herrington and Sutcliffe LLP

Steve Lygo – Parmentier Arthur Valuation Services Ltd

Taavi Mandel - Ernst & Young

Gina Navato - Ernst & Young

Jenny Nelder - Bruce Sutherland

Graham Nuttall - Field Fisher

Stephen Pallister - Wiggin Osborne Fullerlove

Mick Ruse

John Rugman - Smith & Williamson

James Rowe - Pricewaterhouse Cooper

Stuart Ritchie - Ritchie Phillips LLP – attended on behalf of the ICAEW Private Client Committee

Ken Read - Grant Thornton

Nik Shah - Moore Stephens

Rishi Shah - Duff and Phelps

Ann Sharpe - Pricewaterhouse Cooper

Paul Sinclair - Pricewaterhouse Cooper

Pavan Singh - KPMG

Nick Stobbs - V Equity Intelligence

Charles Sword - Pricewaterhouse Cooper

Colin Tait - Pricewaterhouse Cooper

Greg Wakenshaw - Pricewaterhouse Cooper

Phil Waller - Mazars

Nick Wallis - Smith & Williamson

## **Apologies**

Manesh Varia - Travers Smith

William Franklin - Pett Franklin

Travis Taylor - Navigant

Sue Tilstone - Deloitte

Sue Moore - ICAEW

Ian Logan - Pricewaterhouse Cooper

Angela Belsten - Ernst & Young

John Nolan - Cipp

Tony Hindley - Valuation Solutions

Kirti Seth - Grant Thornton

Andrew Caldwell – Berkeley Research Group (UK) Ltd

Amanda Bailes - Pricewaterhouse Cooper

## 1. Introduction

Juliet Roche (JR) welcomed everyone to the meeting. She explained some of the recent changes in HMRC as a whole and said that SAV is trialling new ways of working and looking at more real time working, especially for CGT.

## 2. SAV workstate

Barry Roland (BR) mentioned that the 2014 - 15 SAV Customer Survey returned a 100% satisfied or very satisfied rating for the SAV Helpline.

BR said that last financial year SAV received around 14,000 new valuations and achieved a yield of around £130million. At the half way stage for this financial year, figures are looking broadly similar. Last year SAV did not meet the 15 day post target but did meet the 40 day target. This year SAV is ahead of both targets so far. There has been some overtime to help meet targets.

BR explained that now SAV uses a new contractor for its off-site file storage and earlier in the year there were problems and delays when trying to get the SAV file back. This has now generally improved and BR apologised to those who were affected by the delays.

BR added that all this had to be seen in the context of ongoing HMRC budget cuts.

## 3. New Ways of working

**Central Print Service (CPS)** – has now been introduced in SAV. JR and BR explained that with the CPS, valuers do not print out their own letter and send for posting. The actual letter is printed out centrally (not in Nottingham) and sent out from there.

A comment was made that clients want a signature on the letters (letters generated by CPS do not have a wet signature). Some auditors have questioned whether the new letters are legally valid? BR and JR replied that HMRC received legal advice that these letters were acceptable. The new letters include the valuer's name and do not have a large gap for a signature so they do not look as if there is something missing.

JR suggested ringing up the valuer if a letter is expected from SAV and one has not appeared. The CPS system will show that a particular letter has been dispatched.

**Digital White Mail (DWM)** – BR and JR explained that DMS is the system where external post coming into HMRC is scanned and then sent electronically to the appropriate office. It is likely SAV will be introducing DWM shortly, however, agents won't notice any difference at first as the system will initially be tested in small teams. Certain keywords will identify post as belonging to SAV and in time SAV will publicize a new address to be used in correspondence. Post which is addressed to the current address will still be delivered, but may take a little longer to arrive. Bulky items of post (for example booklets) cannot be scanned and so will be delivered as at present. SAV then plans to move towards using electronic rather than paper files.

CPS and DWM have been introduced to try to address delay in the old postal system which has been a complaint in the past.

It was asked how the delivery of mail to SAV by courier or which required a signature worked? BR said that during working hours this mail would go to the named valuer or the SAV office and there shouldn't be a problem. Outside working hours, although there is a security presence on site, it may be more difficult to deliver mail.

**Pro-active caseworking** – BR said, as mentioned in the 2014 Fiscal Forum, a pilot SAV team had tested out an alternative way of working, making earlier contact with agents by telephone and corresponding more by email in the hope of completing cases more quickly.

The pilot system had proved popular with SAV and agents, and has now been rolled out generally across SAV. Initial contact from SAV should now be by telephone, with the aim of working cooperatively, identifying the points of disagreement and trying to resolve them.

A comment was made about the legal standing of any telephone conversation, especially if no enquiry has been opened. JR and BR explained that SAV is just trying to speed up cases. Agents do not have to speak on the telephone and it will not be held against them if they do not wish to on a certain case; it is a service SAV is offering as feedback from the pilot scheme was generally positive. JR added that telephone calls will be followed by a letter and will be dealing with 'valuation' not 'other' issues.

JR said that training on the new procedure for SAV staff had come from those staff involved in the pilot.

#### **4. Litigation update**

Gordon Wheeler (GW) spoke briefly about the BG Foods case which had recently gone before the Tribunal. In this case the judge did not take much notice of an offer made for the company before the valuation date. The taxpayer is appealing and we await the outcome.

The JD Designs case has been mentioned before and an appeal is ongoing. The Spring Capital case discussed Goodwill valuations, however, the case is a CGT case and the Judge looked at IHT legislation so it may not be that relevant.

SAV was asked if notification of litigation decisions could be emailed to Fiscal Forum members once the information is in the public domain. This was agreed.

GW then mentioned Gift Aid cases. The background to this is that some shell companies have bought new shares in legitimate existing businesses at a low price (usually 1p per share), with an obligation to buy more shares. The company then placed a small number of shares on AIM or the Channel Islands Stock Exchange at a much

higher price than 1p and some transactions at this higher price took place. Shares were then gifted to a charity at this higher price and Gift Aid claimed.

HMRC is challenging this practice. There has been one tribunal decision and several others are in the pipeline. SAV is also trying a new concept by setting up a forum for taxpayers, their advisors and HMRC to try to resolve the issue without going to litigation.

## **5. Growth / Hurdle shares and Clearance work**

Tony Spindler (TS) explained that at the 2014 Fiscal Forum, SAV had set out its expectation that agents would send forecast information when requesting valuations. However, TS said SAV was still meeting agent resistance to providing this sort of material with agents claiming that this was not required for small minority holding valuations. TS added that this is information which is reasonably required and refusing to provide it does not help cases to be progressed. If the information is provided, both SAV and agents can then discuss this information. The PTVC service is a service offered by HMRC and there is no point parties wanting to use the service if they refuse to provide information.

There was a comment that some SAV valuers seemed to consider these PTVC cases to be very simple and wondered why agents were bothering to send them? TS, on the other hand, believed that SAV thought these transactions were very complex!

JR suggested that if agents thought the transactions were simple and were confident with their figures, they didn't perhaps need to send them to SAV.

TS said that there had recently been an ITEPA PTVC review within SAV which had come up with some recommendations. There had also been a HMRC research report on growth shares with 24 bodies invited to respond to the report. The HMRC research report had declared that those buying growth shares wanted a clear exit strategy. The SAV review had pointed out that the models were very sophisticated and it was often hard to work out how they worked in practice.

SAV would like when considering very complex valuations to be also given a working model of what that means to participants taking up growth shares. When employers are presented with the opportunity to take up growth shares, presumably they get some information on what they can expect to get from this. SAV would like to see this too.

Various attendees pointed out that although there is the 'perception' that models exist, in reality working models are not generally out there. Private equity groups have some figures but figures and spreadsheets are not generally produced for clients. Also growth shares are not usually rolled out to all employees; there are particular arrangements with usually senior staff.

It was also pointed out that whereas initially an exit strategy was important for investors in growth shares, in some cases now growth shares are used as a retention tool to keep employees and to reward loyalty.

TS took note of what various attendees had said and added that SAV want to speed up the procedure. SAV is spending quite a lot of time getting information and reading through information when most of the transactions are actually agreed anyway.

TS added that the ITEPA chapter in the SAV manual will be rewritten and that a project team has been set up in SAV to look at clearance work in general, potentially changing the procedure and concentrating on the cases which actually need looking at.

BR said that a properly digital version of the VAL231 form for EMI valuations should be available by early 2016. This should mean in most cases, information will be acquired internally and should be dealt with more quickly. A few cases will be looked at in more detail than at present.

**Note correction.** Form VAL 232 (Employee Shareholder) is next to be made digital.

## **6. Employee Shareholder Put Options**

It was asked what is SAV's policy regarding the value of Put Option rights in the context of requiring a minimum value of £2000 for ESS purposes. A couple of SAV valuers had said that a right to Put the shares must be for a minimum of £2500 to have an AMV of £2000, whereas others had said that such a right has a value of £2250.

TS said that SAV policy does not define a minimum value - individual cases would have individual risks. There was an expectation that the value would be bigger than the AMV of £2000, but there was no set value, it would depend on the circumstances.

JR suggested looking at individual cases to see if there was a wider issue or whether it was just some valuers needed extra training. TS thought that SAV generally took a pragmatic approach.

It was asked what sort of exercise period SAV was generally seeing in these cases. TS thought between two and three months.

## **7. Goodwill incorporations and Medical Practitioners**

BR said there had been some movement since last year, particularly with changes to the availability of Entrepreneurs Relief. Also medical practitioner cases within SAV where there are other matters to look at as well as valuation are first being dealt with by Mid-Sized Business to check whether incorporation has been handled in the correct way, not just in name only. Once the incorporation question has been established, the cases are returned to SAV to look at the valuation.

On the whole, SAV does not see any goodwill value having been transferred in these cases and they has received litigation advice on this.

Some taxpayers and agents are now agreeing that no goodwill was in fact transferred on incorporation. SAV is working towards resolving the outstanding cases and will go to Tribunal if necessary.

It was asked if SAV is now taking a tougher stance on Goodwill. BR said that a business needs to do a number of things in order to have an effective incorporation. HMRC is trying to be more consistent with checking that incorporation was handled correctly.

BR also said that SAV was looking to provide more guidance on incorporation.

It was also asked if there had been any new developments regarding Goodwill relating to Trade Related Property valuations? Paul Simpson (PS) said that HMRC and the VOA had issued a Practice Note in 2009 and 2013, but that there was not agreement on all matters and it would need litigation to get issues resolved. One nursing homes case is listed for a hearing in 2016.

PS said on CG related work there were some cases where formal rights to the property were not being transferred and there was then the question as to whether incorporation had been properly carried out. There are no litigation cases on this matter in the pipeline.

## **8. AOB**

JR mentioned that SAV had recently recruited three new graduates to train as valuers.

It was asked when the minutes of this Fiscal Forum would be published on GOV.UK. This should be within a couple of months.

After the meeting, BR accepted the resignation of Andrew Caldwell as co – chairman of the Fiscal Forum and thanked Andrew for his efforts over the past years. SAV has decided not to appoint a new co – chairperson.