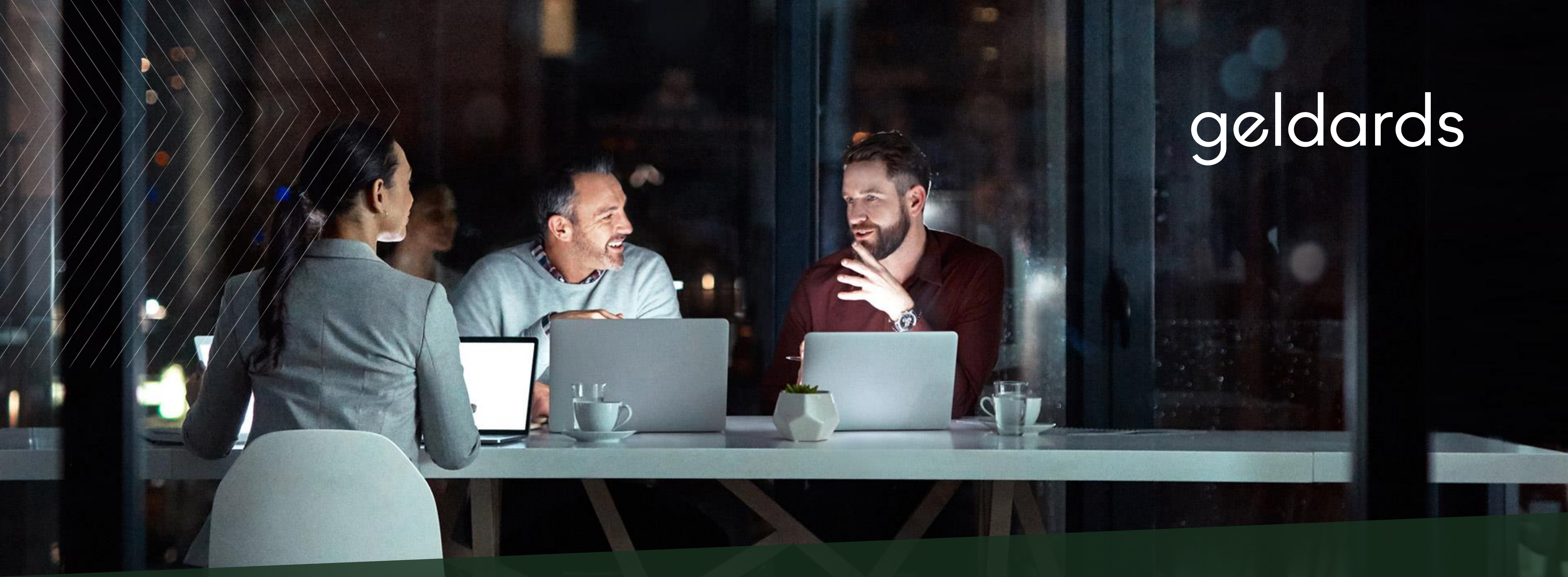

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Corporate Groups

Money saving ideas

12th July 2023

Outline

- Corporate structures and efficiencies
- Commercial contract considerations for companies
- Tax issues

Creation of a separate holding / property company

- Minimises risk in uncertain trading markets
- Protects valuable assets
- Group efficiencies through shared services
- Tax efficiencies
- NB Avoid group cross guarantees in banking documentation

Assessment of the structure of the business

- Are there any redundant or inactive companies in the group?
- Extraction of inefficient parts of the company or group to make the group or company more attractive and profitable
- Corporate actions to be taken such as share capital reductions, assets transfers etc

Debt consolidation

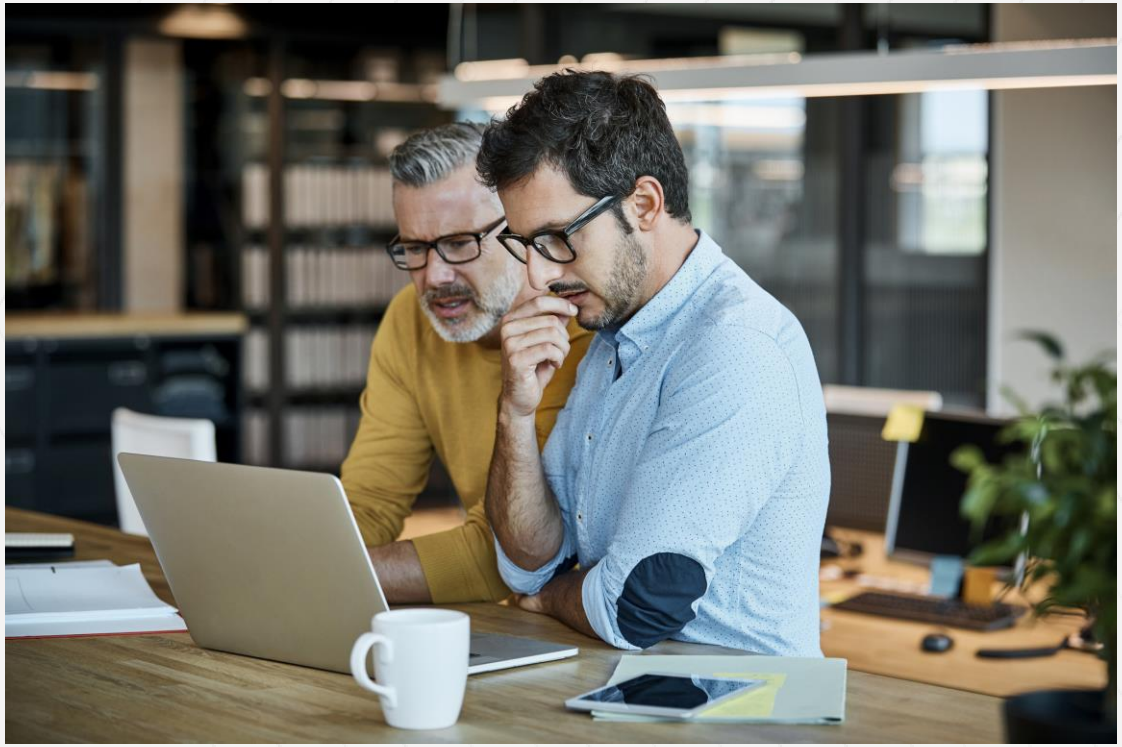
- Creditors could convert debt owed to it by a company into equity allowing balance sheet to show less debt which may result in improved lending terms in a competitive and ever changing lending market
- Novation of debt

Commercial contract efficiencies

- Contractual terms - long term contracts across the group could be risky and become less commercially viable
- Price adjustments
- Employ effective contract management measures

Tax issues

- Corporate groups
  - Requirements
- Corporation tax
- Transfer of assets
- Group relief
- VAT
- Anti-avoidance



Corporate groups

- Direct shareholding of at least 75% AND
- Indirect shareholding of at least 51%

Corporation tax

- 25% for profits over £250,000
- 19% for profits up to £50,000
- Effective rate of 26.5% for profits between £50,000 and £250,000
- Groups divide the limits between the companies
    - Four companies mean limits of £12,500 and £62,500

Corporation tax

- More companies is not necessarily best if profits are below £250,000
- Remove surplus intermediary companies (avoid questions of dormancy)
- Dividends from subsidiary to company parent are not subject to corporation tax

Associated companies

- Watch out for associated companies
  - “Sister” companies
  - Common ownership
  - Division of corporation tax bands between associated companies

Transfer of assets (intra group)

- No gain no loss transfer for chargeable gains
- No tax charged on increase in value
- Buyer takes on the base cost of the seller plus indexation
- Seller will pay tax on original gain when the asset is sold

Transfer of assets (intra group)

- Relief from stamp duty on shares
  - Application required
- Relief from SDLT or LTT on land
  - Tick box on SDLT or LTT return
  - Retain proof of corporate group

Group relief

- Ability to surrender losses within the group
- Reduce tax liability of profitable group companies
- Do not have to pay for the transfer or surrender of losses

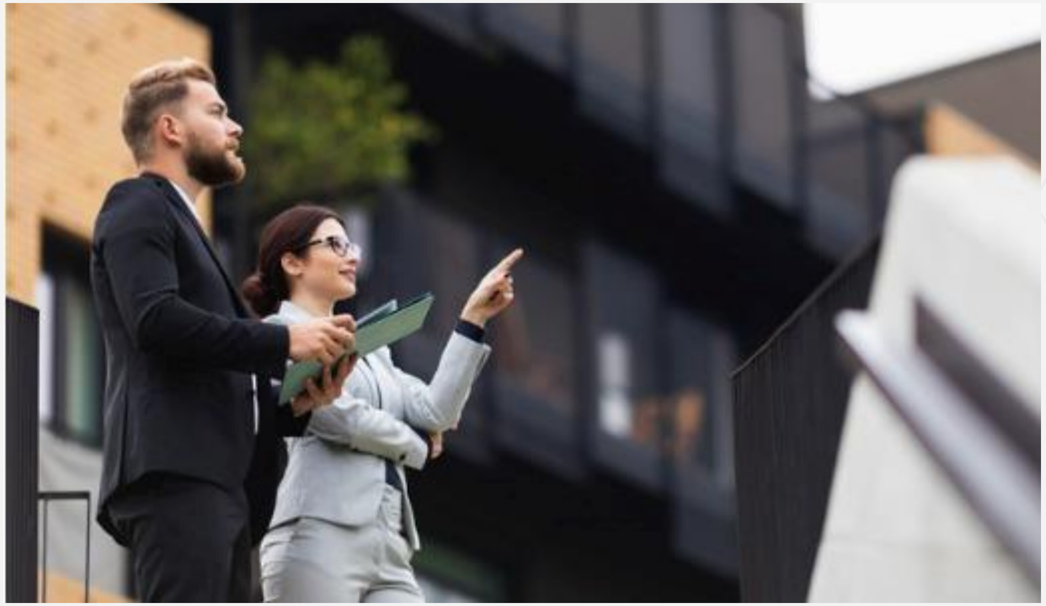
VAT

- VAT groups
- Prop co Op co structures

VAT Groups

- Not just a “corporate” group
- Application to HMRC
- Transactions within a vat group are not subject to vat
- Joint and several liability for VAT group members

Prop co Op co structure



- Used for property transactions
- Prop co owns the property
- Op co leases the property from Prop co
- Ring fence assets

Prop co Op co

- VAT transfer of a going concern opportunities
  - Property rental business being carried on by Prop co
- Cannot be members of a VAT group

Anti-avoidance

- Transfer of assets
  - 6 year claw back of tax if sell the transferee company
- Stamp duty/SDLT/LTT
  - No relief if intend to sell transferee company
  - 3 year claw back on leaving the group
- General anti-avoidance legislation

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Thank You

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