

SME or PLC Innovative and Sound Tax Advice from Hallidays

SME story...

A business providing tools and hire lifts for the construction industry and general public needed Hallidays help.

As an SME the main director and shareholder was planning to retire from the business with his son becoming his successor. An issue regarding the lease of the business building threw up a conundrum which Hallidays was able to resolve allowing the pensions funds to remain untouched, tax savings to be made and offering long term security for the business moving forwards.

Before:

- Concern regarding the long term lease of the company's operating base. Funding was required personally due to lack of company funds to enable continuation of trade from the same premises.
- High probability that this issue could negatively affect the business owners' pension fund and the long term security of the business for his son and successor.

After:

- Hallidays identified that the property could benefit from an Employee Benefit Trust transferring the asset at nil gain nil loss. This allowed the business owner to retain his pension fund for retirement and secure the lease for his son.
- Hallidays enabled the business owner to save £180,000 in his pension fund which remains untouched. Capital gains tax saving of £16,000. Future inheritance tax savings - based on current legislation is £72,000.

PLC story...

John Wood Property plc – holiday letting and property rental company.

With a profitable business and a desire to achieve maximum tax efficiency, both now and for the future, this plc sought the advice of Hallidays to deliver innovative taxation solutions. Utilising their expert knowledge Hallidays was able to bring to the table new and interesting options for consideration.

Before:

- Looking for the most tax efficient extraction of profits both now and in the future.
- Seeking protection from inheritance tax regarding a substantial pension fund containing both shares and property.
- Client wanted his dependents to benefit from his inheritance which was mostly tied up in a pension scheme. As he was approaching 75 along with his spouse there was the potential of a 82% tax charge on the death of the second spouse.

After:

- An Employee Benefit Trust containing sub trusts is being considered and can be used as a vehicle to extract profits with cash then draw as a loan at current rates of 1.9% rather than a dividend at an effective rate of 25%. There is also the added advantage of future inheritance tax savings.
- Qualifying Recognised Overseas Pension Scheme (QROPS) is an option working as an offshore pension fund with any increases in property and share values within the scheme protected from the second spouse death tax of 82%.
- By setting up a QROPS the UK pension scheme can be transferred to a HMRC approved jurisdiction which reduces the 82% tax charge to only 7.5%.

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