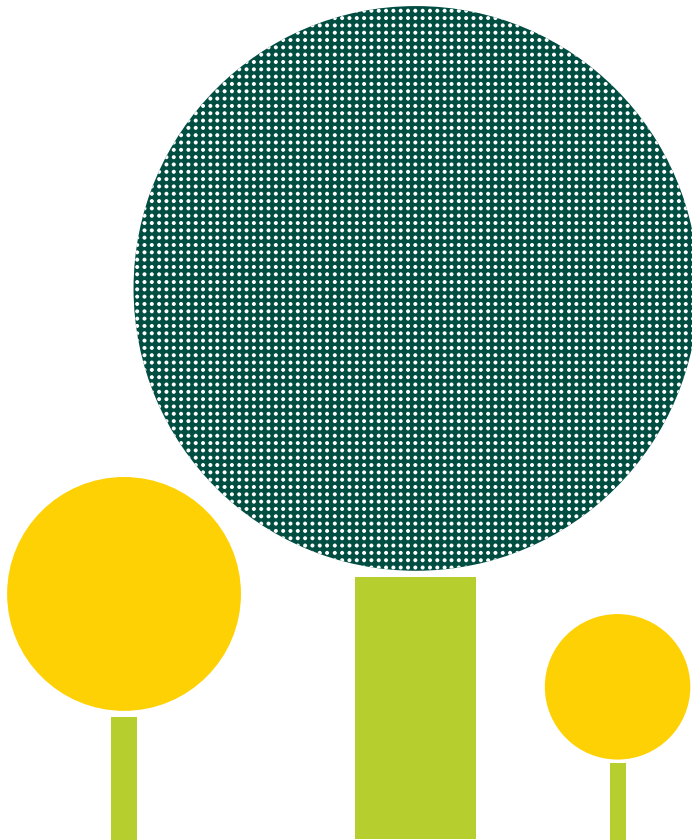


Case study

Rural and agriculture sector



Land sale structured to achieve massive £313,000 tax savings.

A complex trust arrangement meant that a successful large farming company needed to divide up its assets and realise some cash. The most saleable asset of the company was the farm land which needed to be sold to raise the cash required.

This introduced a rather difficult challenge as the farming company owned the land, rather than the trust, and the cost of the land for chargeable gains purposes was zero. The consequence of this was that selling the land would incur corporation tax of £390,000. There would also be additional tax charges in moving the funds out of the company into the hands of the trustees. However, if the disposal could be structured so the trust made the capital gain, the tax bill would be a fraction of this. Clearly some lateral thinking was required.

SELL THE COMPANY TO SELL THE LAND

There was no credible way of getting the company to sell the land without a

correspondingly large tax bill. The solution was to re-organise the company using special tax rules and sell a company that owns the land, rather than selling the land itself.

In this way the trust took the capital gains tax charge rather than the company. The capital gains tax rules for trusts and individuals are different from those for companies and, by understanding these differences, it is possible to make decisions that have substantially different tax outcomes.

ACHIEVING A TAX SAVING OF £313,000

We transferred the land to another company using tax rules that enable a company to divide up its assets without incurring a tax charge. The company owning the land was then sold, under the far more favourable capital gains tax rules for individuals and trusts.

This achieved a staggering reduction of £313,000 in the tax liable from the sale.

When it comes to minimising your taxes, there is often more than one way that a transaction can be undertaken. By talking to you about your circumstances and your desired outcome, we can help to ensure you are not paying more tax than is absolutely necessary.

ARE YOU TAKING FULL ADVANTAGE OF THE TAX RULES

Farming businesses are unique and require specialist understanding of the tax rules for both business and farming.

THE NEXT STEP

For further information or to arrange a meeting to discuss your specific requirements, please contact one of our specialists:
<http://rural-and-agriculture.uhy-uk.com>.

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