

Company Restructuring

Facts

The client was required to reduce his shareholding in a company as part of the arrangement for a separate sale of shares in another company. He also owed a significant amount of money to the company as a loan.

The situation was complicated by the fact that the company's other shareholder did not want to obtain outright control of the company.

Our Advice

We proposed an innovative restructuring that enabled the shareholdings to be equalised at 50:50 between the shareholders, thus achieving the desired reduction and commercial objectives, whilst obtaining beneficial capital gains tax rates.

Importantly, we received clearance from HM Revenue & Customs for the proposed transactions and as such they were able to achieve a very low rate of tax with a significant saving over any other options for restructuring.

We also advised on the best way to enable the director's loan in the company to be reduced to nil as part of the transactions, which also resulted in a significant tax saving.

Outcome/Savings

The structuring was implemented, achieving an effective tax rate of around 13% overall on the transactions.