



## Why the right group structure can matter when acquiring, investing or planning for a future sale

The structure you started your business with isn't necessarily the structure you'll need as it grows.

For many owner-managed businesses, a single limited company is perfectly adequate in the early years. But as the business becomes more valuable, acquires other companies, invests in property or builds up cash, it can be worth considering whether a group structure would provide greater flexibility.

The important thing is to think about this before a transaction or major change is on the horizon.

### What might a group structure look like?

A typical structure might involve introducing a holding company above the existing trading business. The holding company can then own a number of subsidiaries, perhaps separating different trading activities, acquisitions or investments.

There isn't a standard structure that's right for every business. The objective is to create something that reflects what the owners are actually trying to achieve.

### Acquiring another business

If you're planning acquisitions, having a group structure in place can make future purchases easier to accommodate.

A new business can potentially be acquired as a separate subsidiary rather than combining everything within the existing trading company. This can help keep the businesses distinct, make their individual performance easier to assess and provide greater flexibility if one part of the group is subsequently sold.

It can also allow profits generated elsewhere in the group to be used to support investment and acquisitions, subject to the relevant tax and company law considerations.

### Separating investments from trading activities

As businesses mature, they often accumulate cash, property or other investments.

Holding significant investments in the same company as the underlying trade isn't always desirable. Apart from exposing valuable assets to the risks of the trading business, it can complicate matters when shareholders eventually want to sell.

A carefully considered group structure can sometimes allow trading activities and investments to be held separately while remaining under common ownership.

### Planning for a future sale

The structure of a business can become particularly important when an exit is being considered.

For example, a purchaser may want to acquire one particular trading business without acquiring properties, investments or other activities that have accumulated alongside it. Separating these activities shortly before a sale isn't always straightforward and can have significant tax consequences.

There can also be important tax advantages where a holding company sells shares in a trading subsidiary. In the right circumstances, the Substantial Shareholding Exemption (SSE) can mean that a gain arising to the holding company on the disposal of a subsidiary is exempt from corporation tax.

The detailed conditions matter, though, so this is something that should be considered well before a proposed sale rather than once an offer has been received.

## Getting the structure right – but keeping it practical

More companies aren't automatically better. A group brings additional accounts, tax returns, Companies House filings and administration, and transactions between group companies need to be properly managed.

There can also be tax implications when moving an existing business, property or other assets into a new structure. It's therefore important to understand both the immediate tax consequences and what the structure is intended to achieve longer term.

The aim should be a structure that's commercially useful, tax-efficient and no more complicated than it needs to be.

Think about tomorrow, not just today

We regularly help business owners look at where their business is heading and whether their existing structure will still be suitable in three, five or ten years' time.

Whether you're considering an acquisition, bringing in new shareholders, investing in property, protecting accumulated value or thinking about an eventual exit, it's often easier to put the right structure in place before you need it.

At Fairman Harris, we can help you consider the options, understand the tax implications and work alongside your legal and other advisers to put an appropriate structure in place.



Shafiq Meghani  
Fairman Harris  
Partner  
[www.fairmanharris.co.uk](http://www.fairmanharris.co.uk)