



Mergers, Acquisitions & Taxation

(Let's Get Married!)

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Introduction

- > Choosing a Business Partner/Target Business
- > Develop the Business case
- > Perform a review of the business activities before a formal due diligence
- > Explore potential synergies
- > Due diligence
- > Tax structures & planning
- > Tax tips



Choose a Target Business

Reasons for an acquisition

- > Location
- > Turnover
- > Economies of scale
- > Investment – short term or longer term
- > Consolidation
- > Access to people, processes



Develop a Business Case

Target characteristics

- > Professional excellence
- > Financial performance
- > Marketing aggressiveness
- > Client base
- > Quality of employees
- > Management capabilities



The First Step

- > Who should we be dating or playing golf with?
- > Business Agent (facilitator)
Pros
 - > The business agent will save you time
 - > They have a data base of contacts
 - > They should be able to provide a list of qualified interested parties
- > Their fees



Serious Review of Business

To do this you need to like each other

- > Develop a forceful and attractive strategic vision
- > Identify the synergistic opportunities
- > Develop a rapport
- > Perform a preliminary analysis of the fit
- > Explore personal and organisational issues that might derail the negotiations



Why Buying/Merging? – Question again

Keys to mutual success

- The objective of the decision – why are you merging/buying/selling and does the deal achieve your goals
- The shape of the transaction – cash, earn out, shares?
- The financial and operational implications
- The relevant assets to be included
- Transaction details – the mechanics of the deal



Components of the Due Dilligence

- Financial
- Commercial
- Legal
- Human resources – parity of pay and employment contracts
- Managerial and organisational – who will stay and who will go – best people to keep
- Technology – the need to upgrade and assimilate the technology of each business post acquisition



Let's Get Together

After the marriage vows

- The initial transition period
- Merged business
- Professional advisor – the need for a professional advisor to help implement the change

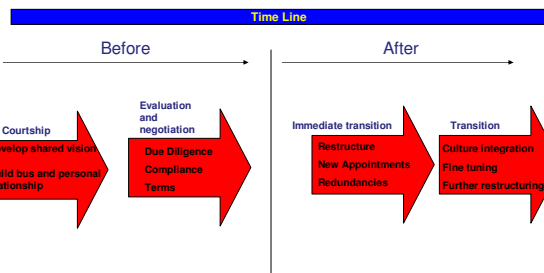


Where is your value?


- > Assets
- > Professional Excellence
- > Financial performance
- > Client base
- > Quality of employees
- > Management capabilities



Before & After



WARNING



Contains tax planning scenarios, graphic tax avoidance and references to reducing tax.

Unsuitable for viewing by H M Revenue and Customs



HM Revenue & Customs Receipts 2009-2010 Forecast

£ billions

Income Tax	134.4	34.1%
National Insurance	97.7	24.7%
Corporation Tax	33.9	8.6%
Stamp Duty	4.9	1.26%
Capital Gains Tax	2.4	0.61%
Inheritance Tax	2.3	0.58%
VAT	63.7	16.15%
Fuel Duty	26.5	6.72%

Total Forecast 09/10 £394.2 bn vs 08/09 £439 bn



“No man in this country is under the smallest obligation, moral or other, so to arrange his legal relations to his business or to his property so as to enable the Inland Revenue to put the largest possible shovel into his stores”.

**Lord Clyde in *Ayrshire Pullman Motor Services*
-v- CIR**



Tax Tip 1 – Tax

Defer your tax payment

•The Business Payment Support Service announced by the Chancellor in November’s Pre-Budget Report provides a fast track service that offers support to businesses needing more time to pay their tax bills

•[Tax deferred > £2bn! By 19th April 2009]



Tax Tip 2 – Income Tax

Tax-efficient dividends

- There is no personal tax to pay on dividends you receive if your total income is within the basic rate income tax band
- [Maximum saving £37,400 x 20% = 7,480 pa]



Tax Tip 3 - Income Tax

Re-mortgaging strategy

£100,000 @ 5% = £ 5,000 pa

£100,000 @ 6.5% = £ 6,500
Less: tax relief @ 40% = £(2,600)
£ 3,900 pa

[Annual Saving £1,100]



Tax Tip 4 - National Insurance

Earnings periods

- An employee's basic weekly salary is £380 per week, plus quarterly bonus (say £2,000)
- If an annual earnings period applied the NIC payable would be £2,510
- Using the standard weekly earnings periods would result in NIC of £1,880

[Annual NIC saving = £630]



Tax Tip 5 - Corporation Tax

Year-end accrual for directors bonus

It is possible to accrue for the payment of a directors bonus after the year-end and for corporation tax relief to be obtained

[Saving on £100,000 accrual @29.75%=£29,750]
[Marginal company rate]



Tax Tip 6 – Inheritance Tax

Binding contract of sale “trap”

Make sure that you use “Cross-Options” in partnership and shareholder agreements to provide for succession following death of one business owner, as automatic succession arrangements cancel out business property relief exemption

[Saving based on £250,000 business interest = £100,000]



Disclaimer

These presentation notes are for guidance only and professional advice should be obtained before acting on any information contained in them. No responsibility can be accepted for loss occasioned to any person as a result of action taken or refrained from as a result of reading these notes.

Good Luck

Please come and visit us at stand D41

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