

**Example taxation impact of use of a corporate partner  
by disposing of goodwill**



	<b>No Planning</b>	<b>Planning with corporate partner</b>		
	<b>Current account £'000</b>	<b>Current account £'000</b>	<b>Director's Loan Account £'000</b>	<b>Reserves £'000</b>
Brought forward	0	0	0	0
Sale of goodwill to corporate partner	0	0	200	0
Profit	100	10	0	90
Goodwill write-off	0	0	0	(50)
Tax	(40)	0	0	(18)
Drawings	(50)	0	(50)	0
	<u>10</u>	<u>10</u>	<u>150</u>	<u>22</u>
Profit	100	10	0	90
Goodwill write-off	0	0	0	(50)
Tax	(40)	0	0	(18)
Drawings	(50)	0	(50)	0
	<u>20</u>	<u>20</u>	<u>100</u>	<u>44</u>
Profit	100	10	0	90
Goodwill write-off	0	0	0	(50)
Tax	(40)	0	0	(18)
Drawings	(50)	0	(50)	0
	<u>30</u>	<u>30</u>	<u>50</u>	<u>66</u>
Profit	100	10	0	90
Goodwill write-off	0	0	0	(50)
Tax	(40)	0	0	(18)
Drawings	(50)	0	(50)	0
	<u>40</u>	<u>40</u>	<u>0</u>	<u>88</u>
Total paid out by the firm	<u>400</u>	Total paid out by the firm (200+40+88+72)		<u>400</u>
Total received by partner (200 + 40)	<u>240</u>	Total received by partner (200+40+88)		328
		Less: CGT		<u>(28)</u>
		Net total received by partner		<u>300</u>

The above highlights general themes of the use of a corporate partner structure in order to understand the concept. Tax rates have been approximated. The corporate partner structure can be used in many different ways and our input should be sought in order to implement the most appropriate and efficient use of the structure for your specific circumstances. No responsibility can be accepted by Armstrong Watson for any loss occasioned by any person acting or refraining from action on the basis of this paper.

**Example taxation impact of use of a corporate partner  
by general ongoing tax savings**



	<u>No Planning</u>	<u>Planning with corporate partner</u>		
	Current account £'000	Current account £'000	Director's Loan Account £'000	Reserves £'000
Brought forward	0	0	0	0
Profit	100	10	0	90
Drawings	(50)	0	0	(50)
Tax	(40)	0	0	(14)
	<u>10</u>	<u>10</u>	<u>0</u>	<u>26</u>
Profit	100	10	0	90
Drawings	(50)	0	0	(50)
Tax	(40)	0	0	(14)
	<u>20</u>	<u>20</u>	<u>0</u>	<u>52</u>
Profit	100	10	0	90
Drawings	(50)	0	0	(50)
Tax	(40)	0	0	(14)
	<u>30</u>	<u>30</u>	<u>0</u>	<u>78</u>
Profit	100	10	0	90
Drawings	(50)	0	0	(50)
Tax	(40)	0	0	(14)
	<u>40</u>	<u>40</u>	<u>0</u>	<u>104</u>
 Total paid out by the firm	 <u>400</u>	Total paid out by the firm (200+40+104+32)		 <u>376</u>
Total received by partner (200 + 40)	<u>200</u>	Total received by partner (200+40+104-24)		320
		Less: CGT		(10)
		Net total received by partner		<u>310</u>

The above highlights general themes of the use of a corporate partner structure in order to understand the concept. Tax rates have been approximated. The corporate partner structure can be used in many different ways and our input should be sought in order to implement the most appropriate and efficient use of the structure for your specific circumstances. No responsibility can be accepted by Armstrong Watson for any loss occasioned by any person acting or refraining from action on the basis of this paper.