

Audit Committee 9 December 2009

22-26 Stannary Street Limited

Executive summary and recommendations

Introduction

This paper is intended to update the committee on the latest status of the proposed winding-up of 22-26 Stannary Street Limited.

Baker Tilly, HPC's tax advisors, have sent a request for clarification of tax position to HM Revenue and Customs to ensure that there would not be any tax restrictions if 22-26 Stannary Street Limited was wound up and the assets transferred to HPC.

A favourable response has been received back from HM Revenue and Customs which allows for the assets to be transferred to HPC and 22-26 Stannary Street Limited to be wound-up.

Decision

The Committee requested to note the document. No decision is required.

Background information

The board of 22-26 Stannary Street Limited has discussed the proposed winding-up of the company, most recently at its board meeting on 10 September 2009.

The Audit Committee, the Finance and Resources Committee and the Council been consulted on this matter and have given approval subject to a favourable response from HM Revenue and Customs.

Resource implications

None.

Financial implications

To be advised.

Appendices

Appendix One – Clarification letter to HM Revenue and Customs on tax position

Appendix Two – Response letter from HM Revenue and Customs

Date of paper

28 November 2009.

Our ref: DB/DJS/DJC/246524/L01.08
Your ref: Corporate Tax Reference: 623 26164 07765

Stamp Taxes Office
Birmingham Stamp Office
9th Floor
City Centre House
30 Union Street
Birmingham
B2 4AR

Dear Sirs

**Health Professions Council
Request for Pre Transaction Ruling
Stamp Duty Land Tax**

We writing on behalf of our above named client to obtain your clearance in respect of the proposed transaction set out below and the applicability of Stamp Duty Land Tax ("SDLT") relief to the transaction.

Background

Health Professions Council is a body corporate established under the Health Professions Order 2001 (Statutory Instrument 2002 No. 254). It is referred to in this Order and hereafter in this letter as "the Council". The principal functions of the Council as set out in the Order, are to establish standards of education, training and conduct and performance for members of relevant health professions and to ensure the maintenance of those standards. The main objective of the Council in exercising its functions is to safeguard the health and well-being of persons using or needing the services of its registrants.

The corporation tax affairs of the Council are dealt with by your colleagues in Central London Area, Euston Tower. The Council is only subject to corporation tax in respect of its investment income.

The Council has one subsidiary company 22/26 Stannary Street Limited ("SSL"), company tax reference: 623 43690 16269.

**Health Professions Council
Request for Pre Transaction Ruling**

The Council holds 100% of the issued share capital of SSL. The Council acquired its shareholding in SSL in 2005, in order to acquire the property owned by SSL. The 22/26 Stannary Street property adjoins the Council's existing premises. The structure of the acquisition at the time was that the Council acquired the shares in SSL rather than acquiring the property itself as the vendor, an unconnected person, was not prepared to sell the property separately.

Since 2005 the Council has undertaken a significant refurbishment of the 22/26 Stannary Street premises and it is now linked with the Council's existing premises to form the larger site needed for the Council's activities. It houses the Council's new Council chamber and additional office and meeting room space.

The principal activity of SSL has been to provide office accommodation and meeting rooms to HPC for which a rent is charged. The corporation tax affairs of SSL are also dealt with by your colleagues in Central London Area, Euston Tower. SSL is subject to tax on all its activities.

The Proposed Transaction and the SDLT Implications

Having the property in a separate company means an additional ongoing administrative burden for the Council and there is no need to hold the property in a separate company. The Council now wish to transfer the 22/26 Stannary Street property into the Council via an inter-group transfer and subsequently wind up SSL.

The Council, being a body corporate, and SSL, being a 100% subsidiary, form a group for the purposes of the group relief provisions in FA 2003 Schedule 7 Part 1 Paragraph 1. Group relief would apply on the transfer of the property so that no SDLT would arise.

Following the transfer of the property, the Council wishes to wind up SSL and have it struck off from the Registrar of Companies as there would be no good commercial reason to continue to file accounts / returns for a dormant entity. This would result in the group formed by the Council and SSL ceasing to exist.

We do not believe that there should be any withdrawal of the group relief as under FA 2003 Schedule 7 Part 1 Paragraph 4 Sub-Paragraph 4, group relief is not withdrawn in the case "where the purchaser ceases to be a member of the same group as the vendor by reason of anything done for the purposes of, or in the course of, winding up the vendor".

However as a result of the winding up / striking off of the vendor, the Council would also no longer be a member of the group as it has no other subsidiaries.

If necessary, the Council would consider delaying the striking off of SSL, keeping it as a dormant subsidiary for a period of 3 years or longer following the property transfer so as to not trigger a withdrawal of group relief.

**Health Professions Council
Request for Pre Transaction Ruling**

Clearance Requested

We would be grateful if you could confirm that in the above circumstance that there would not be a withdrawal of the group relief on the winding up of SSL within a three year window from the transfer of the property.

Please do not hesitate to contact Deborah McWilliams (Direct Dial 020 7061 1226) at our Kingsway offices should you required any further information.

Yours faithfully

Baker Tilly Tax and Accounting Limited



HM Revenue
& Customs

dx b2 / dx s13 / dj c3 / sx s26

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Baker Tilly
DX 1040
London/Chancery Lane

Date 10th November 2009
Our ref BHM/B09/Oct215/DS
Your ref DB/DJS/DJC/246524/L.01.08

Dear Sir

Re: Health Professions Council

Thank you for your letter of 21 October in which you asked me to consider the consequences of winding up SSL within 3 years of the inter group transfer. I can confirm that there would not be a withdrawal of group relief in these circumstances as the provisions of paragraph 4(4) Schedule 7 FA 2003 apply. The fact that there is no longer a group structure in place does not impact on the application of paragraph 4(4).

This view is based on the facts and context of the transaction that you provided in your letter relating to this application. Consequently, we may review the tax consequences of the transaction where it becomes apparent that the transaction was carried out in a materially different way/form to that set out in your application.

This response applies to the specific transactions on which you asked for advice. There is no precedent value for the advice set out in this letter that could be applied for other customers or for any other transaction(s), even if similar in nature/form.

Yours faithfully

Debbie Smith
Compliance Technician

Information is available in large print, audio tape and Braille formats.
Type Talk service prefix number – 18001

Director: Mike Norgrove

