

## Why use a group structure?

In this article we will look at the ways in which you can structure your company and some of the implications/potential benefits of using group structures.

A group structure is created when one or more other companies are owned (directly or indirectly) by a single parent (holding) company. As a result, all of the companies in the group are under the ultimate control and ownership of the holding company.

The alternative is to form separate standalone companies.

## What are the advantages of a group structure versus standalone / all in one corporate?

### 1. Protection or ring-fencing of assets (and liabilities)

You may wish to have each home within a separate limited company but all within one group – this may be sensible from a risk perspective e.g. if you bought a home with a poor regulatory record you may want to keep it separate from the other homes within the group, even if it is only until you have rectified any issues. There are a number of tax reliefs available for transferring assets within group companies so you could transfer it to another company within the group at a later date.

### 2. CQC/OFSTED

If a number of care businesses (perhaps of the same care type, or geographically placed) are within the same group, compared to all business operations being within one company, it minimises the risk from a negative regulatory rating.

### 3. Tax advantages upon disposal

Subject to certain conditions being met, selling a trading subsidiary should qualify for substantial shareholders exemption (SSE) which means that the disposal could result in nil tax payable by the holding company. This is useful if the proceeds are going to be re-invested in a new business.

If the company being sold was a stand-alone company with individuals as shareholders, it is probable that the lowest rate of tax payable on the profits on disposal would be 10% or 20%.

### 4. Other tax advantages

Subject to certain conditions being met, companies that are members of a group benefit from tax exemptions and reliefs in relation to transactions between group members. For example, certain tax losses and reliefs can be utilised across the group rather than just within the company in which they arise. Other examples include the ability to transfer assets between companies without any capital gains tax or stamp duty land tax (albeit subject to de-grouping charges – always check with an adviser first!)

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The above being said, some operators do prefer a non-group structure i.e. separate stand-alone limited companies. The rationale for that may be to remain out of the audit regime for as long as possible, to provide greater flexibility over banking arrangements, or to create less visibility over their overall business interests.

For more information or to discuss the above please contact Hazlewoods Partner, Rachael Anstee, on [rachael.anstee@hazlewoods.co.uk](mailto:rachael.anstee@hazlewoods.co.uk) or call 01242 23766.

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