

# Specialist knowledge yields £14k savings.

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## Background

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An area of our business that has grown significantly in recent years is transaction services support. We carry out financial and tax due diligence on behalf of potential investors. Given that an investor in a share acquisition takes on the tax history and liabilities of a company, it is vital to know about the tax affairs of the target in order to give the purchaser comfort as to the tax status of the company.

Our tax team has strong technical and industry experience, which allows us to provide detailed feedback regarding any potential tax issues or deal breakers. Through this work, we have identified some key trends, one of which is outlined in this case study:

## The solution

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We were carrying out Tax due diligence on a target company for private equity investors. The company is based in the UK and registered for UK VAT. Through our detailed due diligence, we identified that they made numerous sales of services to EU registered businesses. These sales should have been reported to HMRC on quarterly EC sales lists. Usually, EC sales lists are automatically triggered by the VAT return as the sale of goods to EU businesses is reported in a specific box, this is not the case for services. In order to pick up this point, the tax advisors would require specialist VAT knowledge.

The company had missed returns for a year, which could lead to penalties of £15 per day for each late return, so penalties could have been as high as £14k in total. We ensured that these returns were filed as soon as possible and that the company knew their obligations going forward.

This was outlined as a specific point in the share purchase agreement and the price was adjusted accordingly.

## The purchaser said

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“Wilson Partners demonstrated their in depth knowledge of the tax legislation to identify a potentially big issue. Without this, the company may have continued with their non-compliance and the penalties could have been very damaging to the future of the Group.”

## We said

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“We see first hand through due diligence the tax issues which are common among SME’s. These often lead to price chips and can also lead to deals falling over. We managed to catch this issue before it had too much of an impact on the transaction. It is vital that companies get their tax affairs in order prior to engaging in sale discussions. Wilson Partners offer a “tax health check” which is carried out in a similar way to the due diligence. This gives clients the chance to identify any areas of non-compliance in advance of a sale process.”

Steve Lawrey, Tax Director,  
Wilson Partners