

## APPENDIX 1 – LATC OPTIONS SUMMARY

<u>KEY FEATURES</u>	<u>FINANCIAL</u>	<u>LEGAL</u>	<u>TAX</u>
<p><b>Company Limited By Shares</b></p> <ul style="list-style-type: none"> <li>• Creation of a wholly owned company with the Council holding all the shares with full commercial freedom to trade</li> </ul>	<ul style="list-style-type: none"> <li>• Financial returns limited by the commercial capability within the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Governance through Articles of Association and Shareholder Agreement</li> <li>• Council appoints Directors</li> <li>• Liability limited to value of shares</li> <li>• Procurement required for above threshold contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Subject to corporation tax (currently 20%; 19% from 2017 and 18% from 2020)</li> <li>• Important to understand the nature of property activities undertaken to model precise tax impacts</li> <li>• Likely to have to register for VAT</li> <li>• Consider impact on Council VAT position and potential irrecoverable VAT in the CLS.</li> </ul>
<p><b>Company Limited by Shares (Teckal)</b></p> <ul style="list-style-type: none"> <li>• Wholly owned company as above but with Teckal exemption enabling it to trade without conducting a procurement exercise</li> </ul>	<ul style="list-style-type: none"> <li>• As above but protected by Teckal allowing the Council to trade with the company without competition</li> </ul>	<ul style="list-style-type: none"> <li>• As above but in addition:               <ul style="list-style-type: none"> <li>◦ Contracts can be awarded without procurement</li> <li>◦ At least 80% of turnover must be traded with the Council</li> <li>◦ No private sector shareholders permitted</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Subject to corporation tax as above</li> <li>• Potential to apply to HMRC for dispensation from CT where trading solely to the Council</li> <li>• Important to understand the nature of property activities undertaken to model precise impacts</li> <li>• SDLT charge on transfer of land/property from Council</li> <li>• Same VAT considerations as above.</li> </ul>

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<p><b>Company Limited by Guarantee</b></p> <ul style="list-style-type: none"> <li>• Creation of a charitable company for the development and management of property</li> </ul>	<ul style="list-style-type: none"> <li>• Will not return surpluses back to the Council as non profit distributing</li> </ul>	<ul style="list-style-type: none"> <li>• Governance through Articles of Association and Member Agreement</li> <li>• Council appoints Trustees</li> <li>• Trustees run the company in pursuit of its objects (duty is to the charity not the Council)</li> <li>• Typically non-profit making entity</li> <li>• Procurement required for above threshold contracts</li> <li>• Difficult to attract equity funding</li> </ul>	<ul style="list-style-type: none"> <li>• Subject to CT as above</li> <li>• Important to understand the nature of property activities undertaken to model precise impacts</li> <li>• SDLT charge on transfer of land/property from Council</li> <li>• Same VAT considerations as above</li> </ul>
<p><b>Limited Liability Partnership</b></p> <ul style="list-style-type: none"> <li>• Council enters into partnership with a third party</li> <li>• Provides greater flexibility but with the safeguard of limited liability</li> </ul>	<ul style="list-style-type: none"> <li>• Profits or losses are allocated directly in relation to the proportion of capital invested by each partner</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent entity generating profits for its partners</li> <li>• Requires multiple parties coming together</li> <li>• Limited Liability Partnership Act 2000 applies</li> <li>• Profit generating</li> <li>• Procurement required for above threshold contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Tax transparent – income and gains allocated directly to members – provides CT benefit to Council</li> <li>• Special partnership SDLT rules apply – minimal/nil SDLT rules apply on transfers of assets from Council to LLP but beware clawback rules</li> <li>• LLP can register for VAT in its own right</li> <li>• Consider impact on Council vat position and potential irrecoverable VAT in the LLP.</li> </ul>

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<p><b>Joint Venture</b></p> <ul style="list-style-type: none"> <li>• Establishment of JV owned with partners</li> <li>• Ownership split dependent on risk assessment</li> <li>• Element of profit share</li> <li>• Benefit from partner's expertise.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost reduction can be significant (typically 10 to 20%) and investment if mature partner</li> <li>• Typical timescales to achieving efficiencies 12-18 months</li> </ul>	<ul style="list-style-type: none"> <li>• Governance through Articles of Association and Shareholders' Agreement</li> <li>• Council and partner appoint Directors</li> <li>• Profit making entity</li> <li>• Liability limited to value of shares</li> <li>• Addition of further shareholders is straightforward</li> <li>• Procurement required for above threshold contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Choice of vehicle will determine CT profile eg CLS v LLP</li> <li>• SDLT change likely on transfer of land/property into JV</li> <li>• Timing of transfers eg pre or post planning will impact tax liability</li> <li>• JV vehicle likely to have to register for VAT</li> <li>• Consider impact on Council vat position and potential irrecoverable vat in the JV.</li> </ul>