

Case study

Objective: demerge an inherited, intricate family business for the benefit of numerous family members



Background

An agricultural family company, in existence for generations, was inherited by several cousins, all with different business interests and intentions. Some wished to contract farm, some to keep livestock and others preferred an arable route. Part of the land involved was owned personally, other areas by the company; some was to be kept, some sold. Unravelling and restructuring all the different elements of the business to satisfy all parties was a potentially messy, longwinded and expensive exercise and would involve the expertise of more than a few professionals.

Solution

The Roythornes' team met with the family, along with land agents and accountants, to agree an initial split of assets. The demerger plan, put together by the accountants in conjunction with the Roythornes' team, was agreed and signed off by the family. It needed to achieve the desired end position for the family without prohibitive expense and tax liabilities. The first move was to place all of the retained land into the company which could then be demerged by an indirect statutory (three-cornered) demerger giving each member of the family an independent business. A buyer was also found for the remaining land.

In total there were about ten steps required to complete the demerger, including various changes within the structure of the company. The experts in our Corporate and Commercial team handled the business aspects and supported the family throughout the process, whilst the Property team acted in the sale of the farm and the land transfers required to complete the demerger.

The satisfactory conclusion reached allowed each family member to carry on their separate businesses with their chosen assets; they achieved the best possible tax bill and benefited from cash freed up from the sale of the land.