

This Much I Know

Lessons learned from experience

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Know the Business in depth

It sounds logical, but it can be surprising how often this is either overlooked or done superficially.

Very early in my career I had to prepare the CT computation for a film processor. At this time, with 52% corporation tax, 100% first year capital allowances were available on qualifying plant and machinery.

This particular client had erected a lockable metal shed with a reinforced metal floor on the roof and the audit file stated no capital allowances available.

Having worked with chemicals in the past it occurred to me that such a shed would most likely be used to store inflammables and as this would be for fire safety reasons, 100% FYA would be available. My manager took a lot of convincing, but the client confirmed the shed's use and the cash tax saving meant fees were not a problem!

Now whenever possible I go out to see what the business actually does at each site, what the operations are and to meet the key personnel there. This strategy has paid bonuses not just in cost saving, but also in enhancing credibility with colleagues and tax officials.

Why keep a dog and then pay someone else to bark?

A former boss said this whenever the question of using external advisers arose. The view was that being tax specialists ourselves we should be able to do all the work. It was a good rule of thumb, but like all rules there were exceptions. Firstly if it involved a foreign jurisdiction, then local advisers could be needed. If we had insufficient time, then reluctantly outsourcing the work/project could occur. Finally, if the amounts involved were significant, then a second opinion would be obtained, as we were employees, but the external advisers had insurance!

This rule I have found invaluable. FD's are always reluctant to spend money and if you can provide the advice accurately they need not do so. However at the same time if the amounts involved are large enough they want the comfort of knowing a second opinion has been obtained.

Never let the tax tail wag the commercial dog

It is frustrating to be called in at the last moment to give tax advice on a 'done deal'. You do your best but know sometimes the tax consequences have to be lived with. However, there are occasions when you are involved early in the proposed transaction. You point out the tax effect and cost of doing the transaction as planned and how, as there is a genuine commercial reason, tax could be saved by doing it a slightly different way. Commercial and marketing people may maintain that they need to do it as originally proposed to get 'maximum' benefit or that your proposal will confuse customers when marketed. Provided everyone knows the extra tax costs and are happy to live with these, the tail can leave the commercial dog to get on with it!

Tax Planning works best if it is bespoke

When you view a business, often tax saving opportunities are apparent, if only things were done differently! Being aware of these opportunities means that future involvement, at the start of a transaction process, lends itself to the possibility of putting in a bespoke arrangement that should be more robust to challenge when compared to a bought off the shelf scheme.

Whilst a Revenue gamekeeper in anti-avoidance, I came across many tax schemes where an attempt had been made by advisers to 'shoehorn' their client into a scheme. This frequently meant that the arrangements did not hold together for that client, either because the timing of events was wrong or the client's personnel did not fully understand what was required of them. As a consequence, having returned to poaching, if a scheme was not bespoke it was not implemented, unless it was bought right at the very beginning of the transaction process so that the process could be adjusted to fit the scheme.

Be prepared for the unexpected when dealing with the FD and Senior Colleagues

Colleagues tend to loath taxation; it is complex and has difficult detail. As you are the fountain of tax knowledge, for any meeting with the FD, or other senior management colleagues, if possible have an agenda. It serves not only to keep the discussion focused but also allows you to plan what needs to be explained and, possibly, spot what potential questions could be asked. That way you can have an answer prepared. What you cannot anticipate is the occasional visit from a board member who wants to know why you are not doing the tax scheme another company whose board he sits on is. Hopefully you are aware of the scheme and have already discussed it with the FD to agree on its suitability, hence having a ready answer. ■