

**TO WHOM IT MAY CONCERN**

13 December 2018

Our Ref: DSP/HP001

Dear Sir

Gerald Edelman Chartered Accountants act for The Hacking Trust, who have asked us to contact you regarding the potential share sale.

From discussions with our client, you wanted to understand the underlying tax benefits to the Vendor for selling the shares in the company compared to selling the property.

On the sale of the property, the proceeds received from the sale will be recognised within the company. Corporation tax would be payable by the company on any gain made which would be equivalent to the inherent tax deduction made via a sale of shares in the company. In order for the shareholders to withdraw the post-tax proceeds, they would either undertake a dividend distribution or liquidate the company. I have set out below the tax and other costs associated with both of these approaches.

Dividend distribution

Dividend income is subject to income tax. The tax rate will vary depending on your personal tax circumstances. We set out below the various tax rates that may apply:

	<b>Tax rate on dividend income</b>
First £2,000	Exempt
Basic rate tax payer (income of less than £34,500)	7.5%
Higher rate tax payer (income between £34,500-£149,999)	32.5%
Additional rate tax payer (income of £150,000 upwards)	38.1%

Company liquidation

If the company was wound up and the remaining cash was be distributed to the shareholders, the shareholders would be liable to pay capital gains tax on the distribution of capital. Again, the tax rate will vary depending on your personal tax circumstance. We set out below the various tax rate that may apply:

**Partners**

- Richard Kleiner LLP
- Colin Burns LLP
- Howard Wallis LLP
- Deval Patel LLP
- David Convisser LLP
- Stephen Coleman LLP
- Engin Zekia LLP
- Julian Goldie LLP
- Ajay Shah LLP
- Howard Woolf LLP
- Hemen Doshi LLP
- Graham Busch LLP
- Hiten Patel LLP
- Asgher Sultan LLP
- Carl Lundberg LLP
- Richard Staunton LLP

**Consultants**

- Michael Harris FCA
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### **Capital Gains Tax**

Basic rate tax payer (income of less than £34,500)	10%
Higher rate tax payer (income of £34,500 upwards)	20%

On the assumption the shareholder receives income utilising the full basic rate band, the capital distribution will be taxed at 20%. However, additional professional costs will be incurred in association with the liquidation of the company.

Alternatively, on a share sale the sale proceeds will be paid to the shareholders. The shareholder will be liable to pay capital gains tax on the gain on these proceeds (as detailed above). Essentially the shareholder will not have to undertake the process of a liquidation in order to avail themselves of the lower 20% tax rate.

I hope the above explanation provides further clarity on the tax benefits for the Vendor. If you or your accountant have any queries on the above points, please do not hesitate to contact Deval Patel.

Yours faithfully

**GERALD EDELMAN**