

Case Study: HA191-This Land Is Mine

We were asked to review the report prepared by the SJE on a diverse property and business portfolio.

The companies were investigated by HMRC due to their continual VAT repayment position, whereby HMRC repaid input VAT incurred on business expenditure to the companies.

We noted a number of issues with the Original SJE Report, principally:

- (a) The Original SJE Report was issued in April 2020, over nine months after the year end of all the companies. The expert had had relied upon the previous years' accounts; unfortunately another set of accounts for all the companies were filed shortly before the report was issued, which were therefore not taken into account.
- (b) Furthermore, the Original SJE Report did not consider or mention the potential impact of the Covid-19 Pandemic upon company valuations, as set out in a number of publications by the Expert's practice. The portfolio included a number of hospitality businesses that will be particularly affected by the changes to cleaning practices and social distancing.
- (c) The Original SJE Report also did not consider the changes to Entrepreneurs Relief in the March 2020 Budget.
- (d) Finally, the Original SJE Report did not address inconsistencies between sustainable income and available liquidity.

The issues allowed us to address a number of matters in respect of tax, dividends, recent events and liquidity – allowing for these the revised SJE valuation was reduced by £3 million in respect of the changes we proposed.

We then reviewed the pre-marital assets held by the Parties:

- (e) We prepared indicative valuations for the businesses held at the time of the marriage;
- (f) We identified the passive economic growth in those sectors of the economy in the last 25 years; and
- (g) The property portfolio contained a number of properties that had grown in value considerably, many were now held in the SIPPs of the Parties as well as the businesses.

We set out for our client that the passive economic growth of the businesses since the separation of the parties was consistent with the growth in those sectors, meaning that our client did not need to address these matters further.