


Institution **CIOT - CTA**
Course **APS Taxation of Larger Comps**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID 

Count (s)	Word(s)	Char (s)	Char (s) (WS)
Section 1	4189	19396	23191
Total	4189	19396	23191

Answer-to-Question- _1_

REPORT

To: Board of Directors of Bersea Group

From: Tax Partners LLP

Date: November 2025

Subject: Tax due diligence in regards to proposed new venture and how to best deal with these issues

INTRODUCTION

This report will set out the tax implications and impacts of both the two proposed business model for the Bersea Group being the licencing model or the intergrated model. This report will additionally recommend which business model we think is best and our reasons for this.

The tax knowledge included in this report is correct at the date of this report.

This report is based on the facts and correspondance received as evidence.

This report has been drafted for the sole use of the Bersea Group. Tax Partners LLP accept no responsiblity nor liability on the use of this report by third parties.

INDEX

Bersea Ltd - B Ltd

Bersea UK Ltd - BUK Ltd

Estcon BV - E BV / BSV

EXECUTIVE SUMMARY

DEVELOPMENT IN ZEVMARK OR UK

UK

Relief will be available on both the development costs under research and development. Additionally, the amortisation costs in relation to the IFA will be allowable/

This is beneficial as the deduction costs would get relief at the UK main rate of 25%.

Additionally, in the future any profits generated may be eligible for patent box which would significantly lower the tax rate suffered to 10% compared to 25%.

Zevmark

BZ Inc would be in an overall lost position if it takes on developments.

These losses are not available for use in UK and therefore would need to be carried forward.

CONCLUSION

We recommend the product development takes place in UK because, there is a wide range of reliefs available which are not typically available elsewhere in the world.

We advise taking local tax advice to see if there are any beneficial reliefs available in Zevmark.

CONCLUSION

We have done a comparison of both models both integrated and licencing showing the net results of both models for tax purposes in Appendix 5.

We recommend the integrated model because, it has the greater amount of after tax proceeds and therefore is the most tax efficient.

The integrated model does not present any further risks such as being in the scope of UK tax.

LICENCING MODEL

BUK Ltd will receive royalties in relation to the use of the Bersea brand name which is taxable income.

The transaction will be UK to UK businesses and therefore there will be no withholding tax implications

Provided that the development costs are undertaken within the UK, the company will be eligible to elect for the patent box rate of 10% to be used, as mentioned above.

The overall tax payable across this period under the licensing model can be seen in Appendix 4, which shows a tax payable across all group entities of £27m.

INTERGRATED MODEL

BSV will become part of the Bersea group.

The profits generated will be subject to tax at 15%, which is more beneficial than the UK main rate.

The workings can be found in Appendix 3 for this.

There are further reporting requirements under pillar 2 and country by country reporting, which will increase the burden of compliance on the group.

There will be a 60m deduction on the UK for the expenses.

There will be stamp duty due on the purchase of shares.

There are no VAT implications on the purchase of shares as this is outside the scope of VAT.

OUR OVERALL RECOMMENDATIONS

We recommend for the development costs to be done in UK because, there is more beneficial deductions.

We also recommend the integrated model because, this is the most tax efficient method for the manufacturing.

We expect no challenges from HMRC given the nature of the transaction do not seem to have a purpose of tax avoidance and therefore we expect no challenge from HMRC.

BODY OF REPORT

Product development in BUK Ltd or BZ Inc

We have discussed below the advantages and disadvantages if the product was to be developed in either BUK Ltd or BZ Inc.

Development in BUK Ltd

It is our understanding that the costs incurred in 31 December 2026 and 2027 and will be capitalised as an intangible fixed asset.

The company will be eligible to claim a deduction for this amount because, the intangible fixed asset (IFA) has been created post 1 April 2019 and therefore it will be eligible for a deduction at 4% on cost or amortisation, whichever is the more beneficial figure.

This will mean the company is due £30m per year, meaning over the course of its 5 years it will be eligible to take a deduction for the full £150m, at the UK rate of 25% this will provide relief of £37.5m (Appendix 1)

The company will also be eligible to claim Research and development (R&D) expenditure relief on these expenses. Research and development can be defined as a new scientific process to better a process or produce a more efficient end result.

Given that the company will be developing a new anti-aging serum it is likely this will qualify for R&D Relief.

The company and group is considered to be large for tax purposes because, they exceed the following threshold:

- Greater than 500 employees
- Group turnover greater than 100M EUR
- Group assets greater than 86m EUR

The group clearly exceeds this threshold and will therefore be considered large for R&D purposes.

In this case, the company will be eligible to claim RDEC relief on this expenditure.

Relief is only available on specific expenditure and therefore only the staff costs and consumable materials will be available for relief.

20% of this amount is added back in the corporation tax computation (£20m as seen in

Appendix 1) and this is then relieved against any corporation tax liability at 25%.

Given that the company is likely to be in a total taxable profits position, the £20m as seen is then used to offset any corporation tax liability within the company.

We would therefore recommend the company makes a claim under the RDEC scheme for the product costs and claims a deduction for the amortisation of the capitalised IFA because, this allows for the greatest amount of relief (Appendix 1).

When claiming RDEC there are additional admin requirements including the requirement to file an additional information form before any claim for R&D is made. This is required to be done within 2 years following the end of the accounting period and must be filed before a return can be filed including the R&D calculations.

Additionally, the notice to make an R&D claim would also need to be submitted. Once again, this is due before the return (with the included R&D figures) can be included on the same timeline as above.

It is typical for companies to file the intention to make a claim and the additional information form at the same time, and therefore for ease on the burden of admin we recommend to complete it this way.

Additionally, the company would be able to get relief for the £60m costs under the integrated model.

We have calculated the group tax liability to be £26m in utilising this method (Appendix 3).

It should be noted, that within the UK there is a specific regime where a company develops its own patents, known as the patent box regime. Where this is applied for any profits which are generated from an intangible fixed asset and included within the patent box regime, they are taxed at a rate of 10% when compared to the normal UK CT rate of 25%.

I would recommend the company applies for the new patent to be treated within the patent box regime because, it will provide a lower corporation tax rate when compared to the main rate.

Development in Zevmark

The disadvantage of developing the product in Zevmark is that, the current corporation tax rate is 0% and therefore any amounts that are able to attract relief will do so at 0%.

Losses generated by overseas subsidiaries are not relieviable in the UK and therefore the utilisation of these losses is restricted to BZ Inc itself.

We have explained further down in this report that the company will be in scope for Pillar 2 tax and therefore BZ inc will suffer tax at a rate of 15% in the future, however this is still lower than the rate of UK tax of 25% in terms of the amount which can be relieved.

It would lead to losses being generated in BZ inc which may be able to attract future relief if BZ inc was able to become profitable in the future, however we recommend taking local tax advice to confirm the uses of losses for BZ Inc.

We have calculated a group tax payable of £38m (Appendix 2)

We would recommend taking local tax advice to confirm this position in Zevmark as stated above is correct because, this may impact the overall recommendations of this report.

Conclusion

We recommend that on either model (both licencing and intergrated model) the product development is undertaken in the UK because, the relief for the £60m of costs to be incurred will get relief at 25% if borne in the UK.

Additionally, we recommend that the development costs are UK because, for the years from 2028 - 2032 it creates a lower worldwide tax liability (Appendix 2 and 3) by £12m which over the course of 5 years is a difference of £60m. Given this large difference, we would recommend this.

Additionally, we recommend the costs are incurred in the UK because, they will be able to attract relief via the amortisation costs and/ or RDEC because, the UK has rules which enable further deductions for this amount. The available deductions in Zevmark have not been currently stated to us and therefore we recommend the group takes local tax advice to confirm if any deductions would be available.

If the company can apply for the patent box regime, it will be more beneficial for the IFA to be in the UK because, it will be able to claim all the beneficial deductions (such as the amortisation on IFA and RDEC) and suffer tax at a lower rate (10%) when compared to Zevmark (0% however Pillar 2, minimum rate of 15%) and therefore it is overall more

tax efficient for the product to be developed in the UK.

Licencing model

Under the licencing model this will mean that there licences are given to third party UK companies.

It will be likely that BUK Ltd will receive royalties in relation to the use of the Bersea brand name and therefore royalties will be payable by any third parties using the brand name.

In this case, any royalties income received will be taxable as intangible fixed asset income and therefore be liable to UK tax at 25%.

The transaction will be UK to UK businesses and therefore there will be no withholding tax implications because both of the companies are based in the same location for tax purposes.

As explained previously, the company will be eligible to take a deduction for the amortisation costs of a non-relevant asset such as the licences in this case.

Provided that the development costs are undertaken within the UK, the company will be eligible to elect for the patent box rate of 10% to be used. This means that the future annual profits to be generated between 2028 to 2032 will be taxable at 10% which is lower than the UK tax rate of 25%.

The overall tax payable across this period under the licensing model can be seen in Appendix 4, which shows a tax payable across all group entities of £27m.

Intergrated model

Purchase of EBV

On purchase of EBV it means that B ltd will acquire the entire share capital of the company.

We recommend that before purchasing the company, B ltd seeks warranties and indemnities because, this will protect from any hidden liabilities or outstanding payments not stated.

We would also recommend a background search is completed on the company because, B Ltd will be acquired an already active and trading company (DIRTY) and therefore there may be bad reputation in regards to EBV which has not been mentioned or stated prior to the sale.

Remuneration

The remuneration from EBV will typically be in the form of dividends paid to B Ltd.

These are non-taxable in the UK because, they are being paid from a wholly owned subsidiary.

There is no withholding tax on the dividends paid which is also beneficial when being paid to B ltd as there is no amount lost / recover.

Country-by-country (Cbc) reporting

The Bersea group will be considered a multinational group by virtue having group turnover exceeding 750m EUR for the year ended 31 December 2025.

This means the company will be required to complete Cbc reporting for the year ended 31 December 2025.

Cbc reports are a risk assessment tool used by local tax authorities to see the: Income, taxes paid and other economic activity by all members of a group.

In this case, the onus falls to the ultimate parent entity of the group being B ltd. B ltd will therefore be required to submit a Cbc report to HMRC with the above included one year after the end of the accounting period being 31 December 2026.

Where there is a failure to submit a report HMRC may apply penalties and therefore I recommend that all compliance obligations are met in order to avoid receiving a penalty.

BEPS Pillar 2

As part of the base erosion profit shifting rules (BEPS), Pillar 2 was introduced which looked to introduce a minimum global tax rate of 15%.

This applies to multinational groups where turnover exceeds 750m EUR. In this case, the threshold will be exceeded in the year ended 31 December 2025, however the group will

need to be considered a multinational group for 2 out of the last 4 accounting periods and therefore will not apply in the short term.

This means entities which pay tax at a lower rate (such as BZ inc) will be required to "top up" their tax either multinationally (paid by another entity in the group) or domestically (they top up the tax themselves).

Pillar 2 will apply for the year ended 31 December 2026 because the threshold would have been exceeded for 2 out of the last 4 accounting periods.

Once again, the obligation typically falls to the ultimate parent of the group and therefore B Ltd will be responsible for submitting the pillar 2 self assessment return.

In addition, if there is no Pillar 2 rules in Zevmark, the multinational top up tax will be required to be paid by B Ltd.

Both the first self assessment and payment of any corporation tax will be due 18 months after the period which all conditions are met. In this case, 18 months after 31 December 2026 is 30 June 2028.

Profits of an overseas subsidiary liable to UK tax

The profits of an overseas subsidiary are typically outside the scope of UK tax, however there are specific situations which can mean the profits of an overseas subsidiary are may be liable to UK tax. These are the following:

-Where the central management and control(CMC) is deemed to be in the UK

-Where the CFC exemptions and gateways do not apply / apply respectvley.

Central management and control (CMC)

A company can be resident in the UK where either of the following conditions are met:

The compnay is incorporated in the UK or the companies CMC is in the UK.

EBV is not incorporated in UK and therefore will not be resident based on incorporation.

CMC can be defined as where the overall stratgy decisons of the business are made.

EBV currently has its CMC based in Estmark, however following the purchase by B Ltd, this may shift to the UK due to the straetgic and future decisons of the business being made from the UK. This could therefore mean that EBV is dual resident in both Estmark and UK.

In this case, we would look to the double tax treaty to resolve this issue which states it is resolved by the place of effective maangement (POEM). This takes a more holistic view of the business day-to-day activities as a whole a looks at other factors including: Day to day management of the business, where bank accounts are held, where records are kept, etc.

It would seem currently thE POEM would remain in Estmark, however I recommend monitoring this going forward becuase, if the company is deemed a dual resident it may need to apply for a mutually agreed procedure between the two tax authorities in Estmark and UK.

Controlled foreign company (CFC)

A controlled foreign company can be defined as an overseas company which is under control by UK persons (both individuals and companies).

In the case of EBV, this is an overseas company and will be controlled by UK persons meaning it will be classified as a CFC.

There are specific exemptions available to a CFC which if they apply the profits of the CFC will be exempted from UK tax. We have set these out below and explained how it relates to EBV.

Accounting period exemption - This is available for the first 12 months of acquiring a new overseas CFC. This is not available to any new companies which have been set up. In the case of EBV, the company was already trading and therefore the accounting period exemption will apply. However, this is only a temporary exemption and therefore we should look further for a more consistent exemption for the future.

Excluded territories - Where the CFC is resident in one of the territories as listed in legislation, the profits generated are automatically exempt from UK tax. Estmark is not included on this list and therefore this exemption does not apply.

Accounting profits - The profits of a CFC will be exempt where the accounting profits generated by the CFC are less than £500k with no more than £50k being non-trading income. EBV exceeds this threshold and therefore this exemption will not apply.

Tax exemption - This applies where the CFC suffers profits in its own territory at 75% similar to the UK. Widely this includes territories where the tax rate is at least 19%.

Given that Estmark has a rate of 15%, this will not apply.

Low mark up exemption - This aims to compare the turnover with the operating profit and where the mark-up of this is less than 10% this exemption can be applied for. The current turnover is £500m with operating profits of £25m which gives a mark-up of 5%. This means this exemption will apply for EBV.

The turnover in EBV is expected to increase to £600m with operating profit being £120m. When comparing this as a markup ($120/600$) this gives a markup of 20% and therefore the low mark up exemption will not apply.

In this case, the exemption previously met will no longer apply.

In the first instance of no exemptions applying, we have the safe harbour rules which look to see the profits which arise from UK activities.

One of the safe harbour rules is the "motive test" in which the main purpose of the arrangement would be one of tax avoidance in regards to UK liability. We believe that the main purpose of the arrangement is not one of a tax avoidance purpose but instead a more commercially efficiency and therefore the motive test will not be met.

In this case, the profits of EBV will not be inscope for UK tax under the CFC rules.

Transfer pricing

The group will be considered large for transfer pricing purposes and therefore all scopes between intergroup companies will need to be completed at an arms length principle.

This is a crucial point when considering the intergroup transactions particularly the payment of any royalties.

We would therefore recommend that a benchmarking transfer pricing study because, this will allow the group to compare their transactions with that of the industry average and avoid any transfer pricing adjustments.

Future disposal

It should be noted that on future disposal of EBV the gain may be eligible for substantial shareholding exemption (SSE) this is where a UK company is disposing of a trading company in which it has at least 10% of the shareholding for 12 months, in the previous 6 years.

This is beneficial in thinking of the future disposal of the company because, any gain would not be liable to UK tax if met.

Stamp, VAT and withholding tax considerations

There will be a stamp duty payable on the purchase of shares by B Ltd at 0.5% of the consideration paid. In this case a £500k (0.5% x £100m) will be payable within 14 days.

There is no VAT consideration on the purchase of shares as this is exempt for VAT purposes.

It should be noted that EBV will be manufacturing and selling skin care products. It is our understanding that the VAT rules are similar to that of the UK and therefore these will be

considered standard rated products meaning VAT output will need to be charged. We recommend seeking local tax advice in regards to the VAT liability, notification and administration in Estmark because, these may be different to the UK.

It should be noted that ESV will be making payments of royalties to BUK Ltd and therefore a gross withholding tax of 10% will apply. It should be noted that per the double tax treaty between Estmark and UK, the royalty withholding tax rate can be brought down to 0% withholding where applied for in a formal manner.

Conclusion on intergrated model vs licencing model

We have done a comparison of both models both intergrated and licencing showing the net results of both models for tax purposes in Appendix 5.

We can see from this that, while there is more tax to pay in the intergrated model, the overall profits have a large increase due to the acquisition of ESV and therefore we would recommend the intergrated because, there is overall a greater net after tax figure when compared with proceeds.

In addition we advise the intergrated model because, it allows more flexibility in the future should the company wish to finish with the manufacturing process they can sell EBV and possibly nullify the gain via SSE.

The intergrated model does not present any further risks such as being in the scope of UK tax and therefore can overall be more efficient as the company already has the infrastructure to being manufacturing your own products.

APPENDIX

Appendix 1 - Reliefs available in UK for claims on developments costs and IFAs

			Intangible fixed asset	R&D Claim
Staff costs				80m
Consumable materials				20m
Staff costs			25m	0
Branding consultants			15m	0
External market research			10m	0
TOTAL			50m	100m
@4% of cost			2m	
Amortisation per year over 5 year			10m	
Allowable deduction			£(10m)	
20% RDEC add back				20m

Add back at 25%				5m
Relief given against corporation tax liability				£(20m)
Relief @ 25%			(2.5m)	(15m)

Over life time			12.5m (5 years)	£15m

Appendix 2 - BZ Inc develops products intergrated model

	2028	2029	2030	2031	2032
EBV					
Operating profit	120m	120m	120m	120m	120m
@15%	18m	18m	18m	18m	18m
BZ Inc					
Net profit	20m	20m	20m	20m	20m
Costs	(60m)	(60m)	(60m)	(60m)	(60m)
Loss	(40m)	(40m)	(40m)	(40m)	(40m)
BUK Ltd					
Profit before tax	80m	80m	80m	80m	80m
@25%	20m	20m	20m	20m	20m
Total liability	38m	38m	38m	38m	38m

Appendix 3 - BUK Ltd develops products intergrated model

EBV	2028	2029	2030	2031	2032
Operating profit	120m	120m	120m	120m	120m
@15%	18m	18m	18m	18m	18m
BZ Inc					
Net profit	20m	20m	20m	20m	20m
@15%*	3m	3m	3m	3m	3m
BUK Ltd	80m	80m	80m	80m	80m
Less costs	(60m)	(60m)	(60m)	(60m)	(60m)
Net	20m	20m	20m	20m	20m
@25%	5m	5m	5m	5m	5m
Total liability	£26m	£26m	£26m	£26m	£26m

*Multinational top-up tax will take effect prior to this period and therefore the minimum tax rate of 15% will apply - see section in report.

Appendix 4 - Bersea group liability licencing model

	28	29	30	31	31
BUK Ltd					
Profits from new product (patent box)	40m	40m	40m	40m	40m
Other profits	80m	80m	80m	80m	80m
Patent box rate (10%)	4m	4m	4m	4m	4m

CT rate 25%	20m	20m	20m	20m	20m
Total tax liability	24m	24m	24m	24m	24m
BZ Inc					
Profits	20m	20m	20m	20m	20m
@15%*	3m	3m	3m	3m	3m
Total liability	27m	27m	27m	27m	27m

*Multinational top-up tax will take effect prior to this period and therefore the minimum tax rate of 15% will apply - see section in report

Appendix 5 - Comparison of licencing and intergrated model

	2028-2032			
Intergrated				
Total profits				
BZ inc	100m			
EBV	600m			
BUK Ltd	100m			
Total	800m			
Taxes paid	130m			
After tax	670m			
Licencing model				
BZ inc	100m			
EBV	0			
BUK Ltd	120m			
Total	220m			
Taxes paid	27m			
After tax	193m			

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