

# 3 Reasons to operate a holding company

- 1.** Company has high reserves, shareholding changed so holding company owns shares in trading company and property company.

Trading company pays dividend tax free to holding company and holding company transfers deposit to property company. No dividend tax as not taken out personally and put on PTR so saving HRT

## KEY

PTR – personal tax return

HRT – higher rate tax

DCA – director current account

BRB – basic rate band

- 2.** Multiple people involved in business or shareholding or wanting to bring in additional shareholder and protect existing reserves

- › Pay dividend to holding company
- › Add new shareholder after
- › Protects historic profits / reserves / cash
- › Going forward then dividends paid to holding co in equal split reflecting shareholding. Keeps dividends and DCAs tidy if shareholders have different objectives. Eg one wants pension, one doesn't. Director could make personal contributions rather than company in this scenario and increase div from holding co and no HRT as BRB extended. Director two doesn't want to do pension.
- › Or shareholder one and shareholder two can then split holding company shareholding between family Members.
- › Much tidier rather than having say 10 shareholders all different family members and share class in trading company. Equal split paid to holding co - holding co takes it from there. Eg one client has two kids and one has 3 kids. Decreases dividend complexity in main co.

## 3.

Client has multiple trading businesses. One ceases. May not want to liquidate if continuing to do similar trade but wishes to close down. Pays dividend to holding co. Could be a way to avoid intercompany loans and simplify matters.

