

CVS LAW

The Importance of Corporate Structuring

Whatever the business or investment, the importance of how it is owned is often underestimated. Proper structuring, even for the most straightforward of businesses, can have numerous advantages.

Tax efficiency is one of the most obvious, but there are others that are less so. For example, some future planning and creating a well structured group can greatly ease a future sale, whereas leaving matters until the last minute can do the opposite. For instance, attempting a reorganisation once a potential sale is on the cards (whether it be for tax purposes, or to separate out assets that are not being sold) can lengthen and complicate the due diligence process as any recent restructuring is likely to be an issue for the buyer and their advisers who will want to fully investigate! Not only that, the buyer may also seek warranties and indemnities relating to the restructuring, adding to the seller's risk.

Another advantage is the ring fencing of key assets. As a minimum, investments and established businesses should be safeguarded from new business ventures that may carry risk.

It is also important to consider what may be caught within the net of security provided to lenders. Without proper consideration it is possible that assets which are nothing to do with the finance being obtained have inadvertently been put at risk.

Often businesses grow and develop as opportunities arise - there may not be time to carefully consider how best to structure each and every new opportunity when it arises. However this does not mean that later down the line matters cannot be reorganised with a view to adding to and perhaps most importantly, safeguarding the value of any business or investment.



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