

INITIAL THOUGHTS

BUILDING A PERSONAL FINANCIAL BUFFER

This should be conducted as a self-employed individual for the following reasons:

- The income is not in the public domain (although it will need to be declared on the register of interests).
- The income suffers the lowest effective rate of tax of 48.25%

Once debts have been paid, property acquired, and a cash buffer put in place then a savings pot should be built up in a company.

BUILDING A SAVINGS VEHICLE USING AN UNLIMITED COMPANY

WHAT IS AN UNLIMITED COMPANY?

It is a company that has the benefit and status of incorporation, but its financial affairs are not in the public domain.

The owner does have unlimited liability but there is a very low risk on insolvency for the type of work that is being proposed.

The company will only pay tax at 19% as opposed to the 48.25% above in that higher rates of tax will only be paid when the funds are taken out of the company

IN THE SHORT TERM

The company should be formed, and should be used to:

- Rent offices
- Hire staff
- Incur all day-to-day office expenses

PAYMENT TO COVER THE FIRST FEW YEARS' OPERATION

Normally I would suggest one or two speeches should be put through the company to cover the first couple of years costs. However, it is noted that there is potentially a payment to fund the company's first few years of operation, consideration should be given as to whether this is a political donation or not.

It might be simpler for the company to invoice the donor's company for services and this income will be offset by the costs of running the office.

MEDIUM TERM

Once the cash buffer has been funded most non-employment related income should be put through the company

The benefit is that this will only suffer 19% corporation tax and that higher rates of tax only need to be paid on income that is needed to maintain lifestyle

By way of example, if the income of the company is £2m in a particular year and only £500k is needed to pay for lifestyle, then £500k will be subject to tax at circa 51% and the balance of £1.5m will only be taxed at 19%

The company can then invest in stocks and shares etc. going forward and the funds can be extracted by dividends as and when needed.

PAYROLL AND HR ADMIN

It is important that all staff are on proper contracts with manuals and confidentiality agreements are in place etc.

PAYE is operated correctly, and that freelancers and other contractors are properly treated.

This includes personal staff (housekeepers and nannies) if needed.

OWNERSHIP OF UK PROPERTY

Consider buying the property in a bare trust so the name does not appear on the land registry. The other option is to use and EX1 to get information off the land registry database.

PUBLIC DOMAIN

Before any transactions are undertaken, consideration needs to be given to all touch points where there is a need for information to be put in the public domain and how that information is presented and could be interpreted by the wider world and media.

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