



## HMRC change of policy in relation to the value of goodwill

**On 30 January HMRC issued a background note together with a detailed practice note regarding their change of policy in relation to the value of goodwill to be attributed to 'trade related properties' where the business is sold as a going concern. By trade related properties, HMRC mean properties such as public houses, petrol filling stations, cinemas, restaurants, care homes and hotels.**

HMRC's previous published view was that the business in such trade related properties were largely or wholly incapable of being sold separately from the property because the occupation of the premises was essential to the generation of the business, and as a result there was little or no free goodwill to be attributed to the sale price. Given that goodwill - understood to be an intangible asset separate from the property sold - is not subject to Stamp Duty or SDLT, taxpayers have sought to challenge this view in order that they can maximise the amount of the selling price to be attributed to goodwill in order to minimise the liability to SDLT in respect of the property being sold.

HMRC now accept that the value realised by combining the tangible and other business assets together for sale as a going concern can substantially enhance the value which can be achieved when compared with selling the assets separately. On that basis they also accept that where a business is sold as a going concern the sale must include some element of goodwill.

In their practice note, HMRC suggest that in order to achieve a just and reasonable apportionment as required under many legislative provisions the 'profits method' of apportionment should be used based on expected fair maintainable levels of income

from the use of the property. Under this method it is appropriate to value all the tangible assets together for sale as an operational entity so that the purchaser can trade from completion if they so wish. The practice note also deals with the difficulties in certain situations in using this method. Both practice notes can be found at <http://www.hmrc.gov.uk/svd/goodwill.htm>

For further information please refer to David Rayner or Simon Court, using the contact details on the right, or your usual contact at Blake Lapthorn.

### CONTACT:

David Rayner (SOUTHAMPTON)  
david.rayner@bllaw.co.uk  
T: + 44 (0) 23 8085 7021

Simon Court (OXFORD)  
simon.court@bllaw.co.uk  
T: + 44 (0) 1865 258015

### SOUTHAMPTON

T: 023 8090 8090  
F: 023 8090 8092

### WINCHESTER

T: 01962 844440  
F: 01962 842300

### OXFORD

T: 01865 248607  
F: 01865 728445

### PORTSMOUTH

T: 023 9222 1122  
F: 023 9222 1123

### LONDON

T: 020 7405 2000  
F: 020 7814 9421