

DECISION

PKF (UK) LLP

tax expertise – an independent report

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DECISION BUSINESS MAGAZINE

PO BOX 49
HAYLING ISLAND
HAMPSHIRE PO11 9YJ
T: 023 9246 5631

The purpose of the following report was to identify and then validate the attributes, actual experience and performance of the tax advisors at PKF (Guildford office). The content was completely sourced by DECISION and written from interviews undertaken by its senior writers. Its compilation took place over a four-month period.

The report is also published as part of the journal's Tax Expertise Showcase project.

PKF were not able to make any changes to the report, apart from the correction of any factual inaccuracies should they have occurred.

As a consequence, the views expressed by those who have been interviewed are not necessarily those of the firm.



Larry Dillner
Publisher

RESOURCE - 1

KEY PEOPLE

Jon Hills, Partner - more than 30 years' experience as a tax practitioner, including 23 as a partner with PKF; he is a Fellow of the Institute of Chartered Accountants, a Chartered Tax Advisor, and a member of the Chartered Institute of Arbitrators; specialises in corporate re-organisations including M&A support, share schemes, and the international aspects of taxation which affect both companies and individuals.

Peter Jun Tai, Partner - Fellow of the Association of Chartered Certified Accountants and a member of the Chartered Institute of Taxation; over 25 years' experience in corporate, employee, and personal taxation.

Valerie Martin, Partner - advises professional firms, notably medical and legal practices, on tax; she serves as the national director of medical services at PKF, and in addition to being a contributor to the medical press has written books on partnership tax, medical finance, and litigation support work.

Nick Warner, Director of VAT - associate member of The Institute of Indirect Taxation, with over 20 years' VAT experience in industry and the profession; regularly presents and writes articles for the financial services sector.

Each tax practitioner at PKF is licensed by the firm, which is reviewed every year.

SPECIFIC EXAMPLES OF WORK – 1

Company

When a retailer decided to sell half of its £170million property portfolio for redevelopment, PKF advised them to transfer all of the property holding into a new, separate company, in effect creating a property business, well in advance of the sale of the sites in question. The re-structuring saved £10million in tax.

If the British Virgin Islands company owned a particular patent, it would not be recognised in certain countries such as Japan, but the director-shareholders did not want a UK company to be making the profits. So PKF set up a structure whereby the intellectual property was assigned by the offshore company to a new UK company set up specifically to obtain and license the patents worldwide. The UK company assigned its rights back to the overseas company, paying UK tax only on the profit it made on the ‘turn’.

A private equity fund had raised \$400million to invest in property. The fund had been set up by a variety of LLPs, and was managed through a service company, and €1.5million had been spent on setting up the structure. PKF discovered that one of the founders had been born overseas, and identified that his main role for the fund was seeking out properties, so he could be classified as ‘overseas’. Those two elements enabled PKF to put in a structure involving an offshore company and trust through which he will provide his services, saving him a large amount of tax a year.

When a group involved in developing a new product wanted to raise £5million, PKF found that the two directors lived abroad, and that the group comprised subsidiaries in the UK, and various overseas locations. PKF put together a plan to rationalise the group to make it acceptable to potential investors, gaining the necessary Inland Revenue clearances.

A property services group, owned by a UK resident who spent most of his time overseas, was making £10million profit before tax. There were numerous companies in the group, including one which owned the trademark. PKF identified Ireland as a suitable location for a trademark owning company with its 12% tax rate. To meet the criteria, the company is relocating staff to that country where they will actively promote and develop a new business.

When asked to advise on a management buy-out in the financial services sector, PKF structured the deal to save over £30million of VAT. A method for reclaiming VAT was devised and negotiated with the tax authorities that significantly reduced the company’s overheads by ensuring that the maximum amount of VAT was recovered.

SPECIFIC EXAMPLES OF WORK – 2

Personal

A Middle East investor had acquired a number of shopping centres in the UK, each with its own separate company. His intention was to move the properties on, but PKF pointed out that because the properties had increased in value, there was potentially a capital gain in each of the companies. Instead, PKF re-structured the sale which satisfied the Inland Revenue that there was no capital gains liability and which avoided the 4% stamp duty on the £110million sale.

When a solicitor retired from his firm as senior partner to help the development of a company, he received a retainer plus an annuity. Then the new owners said they wanted to pay him off with a lump sum. PKF explained that, in the Revenue's view, the lump sum would either be liable for 10% capital gains tax, because the consideration was based on him agreeing not to sue the company, or for 40% income tax. PKF have advised there is an argument, based on the particular facts of the case, that the payment is tax-free.

A Scandinavian who owned an offshore company with funds of £1million wanted to bring the money into the UK, but was faced with a 40% tax bill. Instead, PKF made use of the cessation of source doctrine, so the company declared a dividend of all its funds to the shareholder who retained them offshore. The company was then liquidated, so the source of dividend ceased, and the funds could be brought back to the UK without being liable to tax.

A financial services client had ten days to complete on a residential property in India, where he was to be based for work. But he discovered that only Indian nationals could buy residential property there. PKF set up an Indian company to acquire the site and to demonstrate that it was to be used for business purposes.

An overseas property developer with companies in the Far East, the USA, and Jersey decided to come to the UK because of non-domicile tax advantages. PKF set up a new corporate structure and introduced service agreements which meant the client paid £30,000 in tax for the year instead of £4million.

REFERENCES - 1

“I’m a chartered accountant myself and so I know when I’m getting a quality service. Peter Jun Tai is the partner I deal with at PKF and his work for me has always been first class. The advantage of having direct access to the partner is that if you have something new that you want doing, or if you have a problem, it is sorted out as quickly as possible.”

[Director, Care Homes Company](#)

“I’m looking for promptness, accuracy, and an on-going personal relationship with the person that I deal with. If I say to you that Jon Hills at PKF has been looking after my tax for certainly 25 years, and probably more than that, that speaks for itself. Obviously he does delegate, and I’m quite happy with that when it’s appropriate to do so. The important thing for me is that if somebody else is involved I continue to get a proper service.”

“With the quality of their advice, I can stand away from the whole tax labyrinth; it’s a very specialist area and you need to be able to rely on your advisors.”

[Graham Calver, private individual](#)

REFERENCES - 2

“I’m talking about this in the context of an individual who has a requirement for reasonably complicated tax planning. I decided to separate tax advising from filing, so PKF are my tax advisors, but they don’t do my returns. That’s something that their partner Jon Hills and I decided 12-odd years ago. He has never failed me: he’s prompt, courteous and his knowledge is excellent.

“That segues into having the confidence in PKF to ask them to tender for a tax strategy for a company of which I’m a director. It’s a global, growing business where we’ve outstripped our foundation accountants and we’re now into the business of more complicated global tax planning. Why we chose PKF from the two on the short list is primarily because of the confidence I have in the individual and his colleagues. If you’re dealing with the Big Four you can’t bank on the fact that you’re going to end up with the same person. With PKF you get that continuity which is essential if you are to build a relationship.

“There are certain firms that market tax avoidance schemes, but since I’m not in that game, and neither are PKF, what I need in a tax advisor is an individual I can work with very closely, who combines an approachable personality and style of doing business, together with really good knowledge and the ability to tailor that knowledge to my circumstances.

“There are still occasions when I need Jon Hills to give me an idiot’s guide , and he is able to give me very quick explanations as to what it all means in the context of the issues I need to address.”

[David Carman, private client](#)

REFERENCES – 3

“The tax advice that PKF provide a number of companies owned and controlled by Mohamed Al Fayed has included issues relating to Fulham Football Club and some very good capital gains tax advice for Liberty Publishing. Principally we are looking for an active rather than a reactive approach and that’s exactly what we get from PKF – they actively bring matters to our attention, as well as actively helping us to seek out solutions. They have a very pragmatic and sensible view about organising your affairs appropriately and being able to respond to Inland Revenue enquiries in a very factual and positive manner. They don’t market fancy schemes and we are very much scheme averse. Their approach is not to attempt to impose a fancy scheme which you have to twist yourself to, and then persuade yourself and the Inland Revenue that you fit, but actually to look at what we do and say, ‘well, if you do things in this particular fashion this is better for you.’ So we find that PKF are more aware of our business and bring sensible ideas which are specific to us, not the latest wheeze off the shelf. They have a very, very partner-led approach which suits our sort of business.”

[Director, Fulham Group of Companies](#)

REFERENCES – 4

“I’m looking for breadth of thought as a first requirement in a tax advisor, and a proactive approach. It’s a fundamental. If PKF weren’t proactive I guess I wouldn’t have stayed with them so long as a client. Through various positions I’ve been with them probably 17 or 18 years. The advantage of having access to the partner at all times is probably a comfort factor in knowing that you’re not only getting a person who understands your problem, but their experience means they bring greater depth of vision. I see it as a business partnership. I’ve always, through my professional life, looked for advisors who are prepared to commit to me in the same way as I’m prepared to commit to him. It has to be a two-way deal. When we’re looking at tax where the implications are very complex, you need transparency from your advisors when it comes to fees.

“It’s right to say that PKF offer a bespoke service, and it really goes back to the partnership aspect. It means they really understand our business. As an example, I had a discussion with PKF who then were able to set up some tax-effective incentives for our employees because they knew what our objectives were and facilitated what we needed to do to achieve them.”

[Colin Hutchins, Director, Flotech Solutions](#)

REFERENCES – 5

“We are a privately owned business, founded in 1949, and we sell our own branded kitchenware and houseware products. The brands include Ken Hom woks, Cole and Mason pepper mills, and we’ve just launched the Jamie Oliver Flavour Shaker. We sell through major high street multiples such as John Lewis, and supermarkets in the UK, and through distributors all around the world. I appointed PKF in 2000 to help us turn around a company we had acquired which was in financial difficulty at the time. With PKF we get the benefit of out-of-town prices and the service of one of the leading firms of accountants in the country. We’ve been able to build up very good relationships with the partners and that’s key. There have been changes to the audit managers, but that’s been less important because we’ve been able to keep up the relationship with the partners.

“I’m a chartered accountant, and while I’ve got an understanding of tax I’m not a tax expert and consequently I turn to PKF to look after our tax computations, and provide technical advice. I can leave it to PKF to give me the headlines and the information I need to know. We’re affected by different European and American accounting standards, and I can rely on PKF to flag up changes that will affect us.”

[Graham Leech, Finance Director, William Levene Ltd](#)

REFERENCES – 6

“We’re a subsidiary of an international culinary institute, and we changed from one of the ‘big six’ to PKF about six years ago now. PKF assist in three main areas to ensure best business practice is followed at all times. They contribute in the area of accountancy ensuring that procedures are sound and followed. Through their secretarial services they ensure that statutory documents are correctly completed and promptly filed. The last area in which PKF assists is that of tax both value added tax and corporation tax.

We wanted a tax advisor not just to minimise tax but to look at the tax implications of business issues. We usually speak to PKF prior to actually deciding something, to make sure we’re taking the right approach in relation to tax and procedures. There’s also the international perspective which PKF consider for us, because what might be good in one country would not necessarily work in the UK as we have more than two-thirds of our turnover originating from overseas students. So we touch base with PKF when considering such transactions, because they are able to provide advice both on national and international tax.

“PKF confront issues without going round the houses, and will ask the pertinent question, which you don’t always get with other firms. They then have this ability to put things very succinctly and concisely. Although I have experience in taxation, Jon Hills answers the question in a way that is easily understandable.

“We have this ongoing, two-way conversation on what exactly Le Cordon Bleu is setting out to achieve in London because PKF want to know how what we are thinking. It’s not a passive role that they take.”

[Ian Porteous, Financial Controller, Le Cordon Bleu](#)

REFERENCES – 7

“PKF give us, I would say, as good a service, if not better, than the ‘big four’. They’re always available and very quick to respond when we ask them to, and their fees don’t make you weep! We very rarely talk to anyone but a partner. Everything is just as we want it, and we’re happy to let PKF get on with it. It’s almost impossible to demystify the tax labyrinth, but PKF enable us to at least try to see what’s behind the chancellor’s thoughts!

[Fred Stirling, Managing Director, Gresham House authorised investment trust](#)

“With PKF you can get straight through to the partner on the tax or audit side without the normal barriers that are normally put up between the client and the partner. They explain the options open to us; courses of action are defined. It’s like partnering: they’re not telling you ‘this is the only way you can go’; they’re saying ‘these are the options, we suggest this, what do you think?’. It can be on any large or small matter. I don’t have one specific example, but that’s the approach, and it works. What PKF do is to make you feel you are the only client they are dealing with, that you are uniquely important to them.”

[Mark Norman, Finance Director, Kuoni Travel Limited](#)

REFERENCES – 8

“We’re an international relocation company and we deal with major corporate international companies who bring their staff in and out of UK on assignments which will last anything between three months and three years. We support these staff with relocation needs such as property, schooling, orientation, settling down. We try to speed the process along. PKF mainly handle our own tax requirements, but from time to time these relocated staff have queries as to their tax status and if it isn’t dealt with within their own company we’ll pass that on to PKF as well.

“The basic requirements we have of PKF are efficiency and competitiveness. Because we deal internationally, our advisors need to as well. One of the reasons I’m happy to work with PKF is that I do have direct partner access, although obviously I would expect other people in their organisation to be dealing with the detail.

“I’m not an accountant and so I rely on PKF to guide me through issues and to ensure that everything works. We’ve been with PKF for more than 10 years and we’ve been perfectly happy with the quality of service they’ve given us. For a company of our size it’s good to use advisors whose reputation gives credibility to our business. A large international organisation, such as one of the world’s largest oil companies, might come to us and say, ‘you want to handle ‘x’ for us, it’s a large amount of money going through a small business,’ so it’s good for us to be able say we use PKF.”

[Bob Townend, Director, TTA Relocation Management](#)

CONTACT DETAILS



PKF (UK) LLP
Pannell House, Park Street,
Guildford GU1 4HN
Tel: 01483 564646
Fax: 01483 578880
Email: info.guildford@uk.pkf.com
Website: www.pkf.co.uk