SPEAKMAN LAW

## Tax Trap on Share Acquisitions…

Acquirers of shares need to take note of an important 2014 tax law change.  The change is in the area of loss offsets between group companies.  It applies where a profit company has benefitted from a loss offset from a group company and deductions claimed by the loss company are subsequently disallowed.

In past years the law has operated to allow Inland Revenue to reassess the loss company.  It now has the ability to reassess the profit company, effectively disallowing the loss offset in the current year.  This means that purchasers of shares in a group company need to be wary of any possible tax reassessments suffered by the target company as a result of a prior loss offset by it.  Purchasers should seek a suitable warranty accordingly and make appropriate enquiry.