

# **LONDON™**

## **& PARTNERS**

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18 September 2015

Dear Jenny

### **London & Partners Venture Limited**

In response to Katherine's email dated 16 September 2015 in connection with the L&P proposal to establish a separate wholly owned subsidiary company to operate certain commercial activities, I confirm the following areas discussed in our previous meeting on the subject.

- A separate VAT entity should not result in a VAT cost but new systems and procedures will be needed to ensure unexpected errors (with attendant penalties and interest) do not occur. We will ensure that our invoice processing and payment procedures include checks to ensure that invoices are posted to the correct group entity and that those involved in those systems and procedures are trained in advance. Vat returns will be checked, reconciled to the individual accounting ledgers and reviewed before submission – note we already do this for London & Partners Limited and Dot London Domains Limited which have separate VAT registrations.
- A theoretical risk was identified that if the company is loss making for successive years, tax losses could remain unutilised resulting in an overall corporation tax cost to the group (this doesn't arise under the current position). Although it cannot be guaranteed, we are confident that the company will not be loss making on an ongoing basis because the activities to be transferred are currently profitable when analysed on a divisional basis and the objective going forward is to increase revenue in these areas. If losses were to arise for any reason then we would take steps to manage the situation and reduce the activity if appropriate.
- We received advice from Eversheds that the subsidiary should be charged for the use of any assets/resources on the basis of a transparent market rate based transfer pricing mechanism. We have confirmed with Eversheds that for direct third party costs which are simply re-charged to the subsidiary the cost paid by L&P would represent the market rate but for the cost of staff provided by L&P, a mark-up should be added.

Please do not hesitate to contact me if you have any questions or need any further information.

Yours sincerely



Andrew Cooke  
Chief Operating Officer  
London & Partners Limit

## **Appendices 2**

### **Rationale for creating a new subsidiary company – London & Partners Ventures Limited**

#### **Options considered and reasons for recommendation**

- Option 1: Use divisions within one company or a separate company to demonstrate that commercial operations are not grant funded

A separate company is proposed as it is clearer, more demonstrable and can easily be externally audited.

- Option 2: Transfer the assets to be used to the new company or assign a licence to use them?

It is proposed that no transfer of assets is made because its main assets, which are its websites including visitlondon.com, are fundamental to the core activities of L&P and will continue to be used as such. The use of the assets for commercial purposes will be granted to the subsidiary via a licence in return for a commercial fee.

- Option 3: VAT accounting basis – there is a choice to establish a VAT group or account for VAT under separate registrations.
- Partially recoverable VAT in L&P can be calculated under a standard or specially agreed method. After considering all options the proposal is to operate separate VAT registrations and recover VAT in L&P under a standard method. The costs are not significantly different and this is the simplest method enabling the core L&P reporting to continue unaffected and involving minimal additional administrative time and cost. Once the subsidiary is up and running this can be reviewed and changed if considered favourable at that time.