



FALKLAND ISLANDS GOVERNMENT TAXATION OFFICE

BUYING A BUSINESS

WHAT YOU NEED TO DO FOR TAX PURPOSES

Introduction

This leaflet is aimed at the buyer and explains the details required for tax purposes and the tax processes involved when a business is bought. The tax office needs to know the amount you have paid for the business and its assets in order to give you the correct allowances.

Informing Our Office of the Business

Please contact our office and we will issue you with a New Company/Business Enquiry Form (whichever is relevant) on which you will be asked to provide details of your business. On receipt of the completed form we will set up the relevant records in our office and if necessary provide further guidance notes.

First Set of Accounts

The business's first set of accounts should start from the first day of trading. For non-limited businesses the account period end should be 31 December unless written approval has been sought from the Commissioner of Taxation for another end date.

The deadline for submission of the first and all further set of accounts is 9 months after the account period end for company accounts, and for non-limited businesses 30th June of the year following the year in which the account period ends. However, we may ask for the Apportionment of Purchase (see below) to be submitted at an earlier date in order to agree the seller's accounts.

Apportionment of Purchase

You will also need to submit with your first set of accounts an Apportionment of Purchase for the business. This should show the total purchase price and then provide a breakdown to show the separate values for items included in the purchase e.g. land, stock, buildings, plant and machinery.

We will also request an Apportionment of Sale from the seller. The values will need to agree between the buyer and seller as these values will be used for any assets you wish to bring into the business's depreciation schedule. If there are any differences in values then we will ask both parties to try and agree the values. If however, agreement cannot be reached then we will determine values we believe to be correct for depreciation allowance purposes. We therefore suggest that at the time of purchase or soon after, both parties meet to agree values which they can then each submit to our office to avoid any disputes at a later date.

It may be difficult to put a value on an asset, for example, farm land will depend on the location, quality of grass etc, but in the end the value should represent the amount a buyer is prepared to pay. You may wish to seek professional advice to assist and/or prepare an Apportionment of Purchase.

Tax Treatment of Assets

If you wish to claim depreciation allowances on any assets bought for the business you will need to submit a depreciation schedule with your accounts. We have a leaflet on depreciation allowances that explains what can be claimed, how and when; please contact our office if you wish to receive a copy. Alternatively you may wish to seek professional advice.

Please Note

This paper is intended to give only broad guidance, and is not intended as a statement of law. The points covered in this paper reflect current tax practice at the time of writing. Special rules exist to deter tax advantages being gained by dealings between connected parties.

Questions & Further Information

If you have any questions or need more information on this subject, or any aspect of Falklands tax, then please contact or visit the Taxation Office. Alternatively you may wish to seek professional advice e.g. from a lawyer or accountant.

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Opening hrs: Mon to Fri, 8am–12noon & 1pm–4.30pm (closed 9-10:30am Tues)