**TBP 299 Pay No Tax Edited\_Transcription**

[Daniel Hill] (0:05 - 16:57)

Welcome to the Blueprint Podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I used to build a 10 million pound portfolio and retire with financial independence at the age of 35. You can listen to these podcasts in any order, and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable.

Let's get into the next blueprint. Welcome to the next Blueprint Podcast episode. So I'm going to take you through this one is how to pay no tax using the group structure strategy.

And there's a number of reasons why I'm sharing this blueprint with you. And one of them is to make it really simple for you. I want you to have a structure and understand how to set up a group, run businesses, and make significant sums of money every single month and every year using a really simple strategy.

And the second is to be able to set it and forget it. So it's the beginning of the new financial year, we're just in the process of signing off all of our budgets for the year ahead. And then once it's set up, apart from the businesses doing what they need to do on a daily basis, which is done by the teams who run them, I'm only really looking at one company in the group.

So I've just been through our monthly management accounts, and I have 16 sets of management accounts every month. And that means you've got 16 budgets, 16 actuals, 16 balance sheets, 16 management accounts to review. And that's a lot of work if you're performance managing every single company every single month and auditing their results.

So that's really not what we do. The secret to this blueprint is really, really straightforward. And hopefully, over the next 10 minutes or so, I can explain it to you.

Rather than have to look at all of your companies, trading companies, SPVs, holding companies, investment companies, service companies, whatever it is you've got within your group structure, there's only really one company you want to care about. And this for me is the holding company. And this is where the group structure strategy comes into place.

And this is the blueprint that I use so I can set it, I can forget it, and I know every month what's coming in. But all I'm looking at is one company. So what we do is every year we set a 12-month business plan.

We teach this on Property Entrepreneur, October through December. We do strategy, January through February, we do budgets, PDPs, forecasts, all of the back office that's required to get the company ready. And then from the start of the new financial year, the 1st of April, the new financial year starts.

And what we look at is when every single one of those companies has got its own budget. So there's 16 companies there. Some of them have zero employees, they're SPVs.

Other ones do multi-million pounds in either revenues or investments and developments. But what I'm looking at is I really don't want to get involved in all the intricate details of all of those. So what we do at the beginning of the year is set up a budget for every company.

So we say, right, this company is going to have this amount of revenue, this amount of cost of goods sold, this amount of overheads. And we expect it to make this amount of profit. And then what we do is we just set that up for the year.

And what you can do then when you've got a budget for every company for the year, you can then look at your group and say, right, well, based on this profitability, we expect the group to make X amount of profit. Now, of course, some businesses will make more than the budget, which is great. Other businesses will hit bumps in the road or unexpected costs or miss sales targets, whatever, and or have voids or go over budget on builds and they will go below.

But the aim of the game for every company is to hit that budget. And when you know what that's going to be every month, this is where the secret comes in for the group structure strategy, because if you want to pay no tax and you want to look at just one company a year, in my head, all I really care about is the holding company. And what I mean by that is, yes, I own lots of different businesses.

I own properties, I own portfolios, I own trading companies, investment companies, development companies, random, you know, random businesses that I own that I've picked up over the years. But I don't want to get involved really in the day to day of those. I just want to look at how much is the group making.

And this is where the holding company comes in. So once you've set the what I do is once I set the budget with the team and it's drafted by the teams, the teams, the directors, the FDs, the bookkeepers, depending on how big the company is, they set the budget for the 12 months. And then what I do is I audit them.

I agree them. I make sure that they're what we talk about is if you're setting sales targets, you're it's all about hoping for the best. You know, you set your sales team probably marginally above exactly what you want to achieve, whereas expect the worst is what we do for our finances.

So if we think we're going to do two million in revenue, we would probably budget one point seven. So it's it's it's hope for the best. You know, hopefully we'll go over, but expect the worst.

And that in itself is quite a mature investor business owner approach. Most people completely overcook it and then they're constantly disappointed, whereas if you set it below top, you know, below where you expect it to be, then everyone's happy and, you know, you're off to the races. What I then do, which has nothing to do with the operational budget or to the operational accounts, and it has nothing to do with the team, is what I do is that I will then set up a dividend to be paid from every single company in line with the dividend policy, depending on what the dividend policy is.

I'll share that with you in a moment. And I'll pay it up to the holding company. So let's say, for example, as well, what is the dividend policy?

So a dividend is when you pay either an individual or another company a percentage of the profits. And it's a dividend. And so let's say a company was going to make a hundred thousand pound profit in a month or in a year.

It doesn't really matter. Let's just say for round numbers, a hundred thousand pounds in a year. So it's a small company.

It's going to make a hundred grand a year, 120 grand a year, 10 grand a month profit. What you would then set is a dividend strategy to decide how much of that profit is then going to be drawn either by the owners, the directors, or in this case, the ownership group in the holding company. And what I do is I set a dividend up from every single company.

And in my head, the holding company that sits over the top of all of them is the only company I care about. And in my head, the money I make every month is based on how much of those dividends come up from each company. So if the company is making 120 grand a month, I'm just coming up with these numbers off the top of my head, so my maths might not be completely on point.

But let's say the dividend policy, a dividend policy, our dividend policies would normally have two things. One is the allocation of working capital. So a dividend can be paid subject to there being 12 months or 150 grand worth of working capital in the bank.

You know, that's part of the dividend policy. And then the second would be a provision for tax. Because the thing to notice about tax, and this is why I call it the pay no tax group structure strategy, is you can either, when you're paying dividends, you can either pay the tax from the local company, the issuing company, or from the parent company.

So if that little trading company that's making 120 grand a year is going to pay dividends post-tax, so you pay, so let's say, let's say the working capital is, you need to have 200 grand in the bank, is the working capital requirement. So as long as there's 200 grand in bank, in the bank, you've met that requirement. And then the dividend policy might be that you're going to draw 50% of the profit after an allocation for corporation tax.

So let's just go back to some round numbers. So it was 100 grand profit. And your dividend policy is as long as there's 200 grand in the bank, working capital, fine, then you can draw 50% a month or a quarter or a year, whenever you do it, up to the holding company after a provision for tax.

So there's 100 grand in the bank, 25% for corporation tax, because you're making over £50,000 a year, 25% in the bank for corporation tax would mean there's 75 grand in profit, and then you would make, you would draw 50% of the profit, half of 75 would be, whatever that is, 35, 37 and a half thousand pounds as a dividend. Jumping in with a huge announcement. Over the last 20 years, I have started, scaled, bought and sold over 40 different companies.

I've invested in over a hundred and I've trained and mentored thousands of others. And I can tell you now from seeing behind the scenes that success and failure are both very predictable and the ones that thrive have five key things in common. What I've done is I've taken all of these lessons, learnings, case studies and success stories, and boiled it down into an assessment tool to enable you to see now in less than three minutes, how valuable your business is for sale and how viable it is for scale.

Go to www.ratemybusinessnow.co.uk to use our brand new, unique and proven blueprint to test your business on 25 key metrics, which will define whether you thrive or whether you struggle in 2025. The link is in the show notes. Go to www.ratemybusinessnow.co.uk and in less than three minutes, you will receive a bespoke ratings report to show your business on all five metrics, where you're likely to succeed and where you are likely to struggle. Go to www.ratemybusinessnow.co.uk. It's unique, it's proven, it's completely free and it will tell you what you need to do in the 12 months ahead. Take action now and let's get back to the podcast. And that's essentially what I do, but I do mine quite aggressively because I'm the exclusive shareholder and my strategy is this group structure strategy.

All I care about really is how much those little businesses or big businesses in some cases are making me on a monthly and annual basis. So what happens is in my holding company, all of the dividends I draw out from all the individual companies to some, like if I've got a little portfolio of a few single lets in a holding company and it makes 700 or a thousand pound a month profit, let's say there's just like one single, two single lets in there, makes a thousand pound a month. I would leave 25% in there for the corporation tax.

And then of the profit, I would probably draw out 80 to 90% of the net profit. And what I'm doing there is I'm drawing it up to the holding company. So the logic is I'm paying the tax in the local company, moving all the rest of the money up to the holding company.

And all I'm looking at is how much I'm making on a monthly basis as a holding company. When people say, you know, what companies do you own? So, yes, I own an investment company, a portfolio, a private school, an office block, a charity, a homeless shelter, all these different things that we own.

But actually, I don't think about that. I think about I own a holding company like Warren Buffett owns Berkshire Hathaway. I think about how much money is the holding company making.

And what I do at the beginning of the year is, which is what I finished doing just now, is I set a spreadsheet with all of the companies, all 16 P&Ls. And then based on the budget profit, minus the allocation for tax, minus a little bit of buffer just in case things go wrong. I then draw all of that back up.

So in some cases, it could be 90 percent of the post-tax profit up to the holding company. And what happens then is when you've got 16 of those companies paying between £500 a month and £50,000 a month up to the holding company, you can look at your spreadsheet and see all those companies. You know, every month you're going to make, I don't know what it would be for you, but it might be once every single business you've got pays its money up, you're making £10,000 a month or £50,000 a month or £100,000 a month in those dividends.

And because you're paying the tax at the local company level for the holding company, it's actually paying no tax because the corporation tax is paid at the local company, at the individual company, at the SPV within the group. The parent company then doesn't need to pay it. And then what I'm doing on a monthly basis is that's what I'm looking at, the money I'm making.

And when I'm looking at the other P&Ls, all I really care about is that the other P&Ls are working within their budget. I'm not looking at squeezing the pips. I'm not looking at X, Y, Z.

All of the teams are incentivised and KPI'd and managed to run the companies against budget. All I'm looking at is, did they come in loosely on budget? If it's a little bit over, great.

If it's a little bit under, you know, how far under? Hopefully there's a buffer. But really, they just need to be running the business to budget every year.

And I'm taking my money out every month up to the holding companies to give me what I need. That really is the strategy that I use to keep it simple. So all I'm looking at is one P&L and I know exactly, bearing in mind there's 16 different companies with people around the world, all sorts of properties, developments, investments, trading companies, all different shapes and sizes.

I'm just looking at one holding company. And the money that goes up there is the net figure because there's no expenses. There are no overheads.

There's no costs. There's no tax. And that's the sort of pay no tax group structure strategy.

Because the aim of the game is you want to keep it simple. And every time I add a new business, I set it up like that. I get it running, do the development, do the refinance, get it let, get it leased, do whatever's going to happen with that.

Put a managing director in, however it's going to run. And then I set up my monthly payment. And I know for as long as I own that business, as long as the company can keep it ticking over a lot in line with budget, I'm making my money every month.

And because it's in the holding company, there's no tax. There's no expenses. All of those expenses, salaries, accountancy costs, admin, you can allocate that around the group, you know, all of that goes around the group.

The holding company's job really is to receive the dividends or the management charges, whatever you want to call them, however you want to do it on a monthly basis on the 28th of every month. It then holds all the cash. And all it does is it allocates out loans where you want to lend it to an SPV to buy an office block or something.

And it's a net figure, it pays no tax. You don't have that liability. And all of that money is stored in the local companies.

It might sound aggressive, like you're drawing loads of money out, but you're not really because you've got working capital in there and you don't draw above the working capital. It might sound lazy or lethargic because you're not pulling the P&L to bits every month, but that really is the team's responsibility. Whoever's your portfolio manager, managing director, FD, general manager, operator, whoever you've got running the show, you know, it's up to them really to deliver the budget.

All you want to be doing is drawing that figure up. Hopefully that makes sense and hopefully that's clear. It really is that simple.

Rather than worrying about I own 16 companies and I need to run accounts for 16 companies every month and be pulling them apart, just start to think about having one holding company and set the budgets up for 12 months, make sure the team run it to deliver the actuals and you draw your money on the 28th of every month, post tax, plus contingency, plus working capital. And in my experience of doing that model for probably over 10 years, I've just had to actually have a look. I've been doing that since 2017, so eight years.

That structure, I just find it's clean, it's simple. Mentally, it just gives you a nice, clean structure. Accountability and performance wise, it allows you to delegate everything to the team.

And also you just know where you are and what you're making on a monthly basis. That's what we use. That's the no tax group strategy and structure.

I hope you like it. Have a think about it. If you want to listen to other podcasts that teach you more about it, go to the Financial Fortress episodes.

There's one called the Financial Fortress, another one called the Financial Fortress, the basics. That's really what I'm teaching you there. And it's what we teach on our three day blueprint summer retreats.

I think the first one or two events have already sold out for the year, but go to the blueprintretreat.co.uk now and you can see if there's any spaces left for the summer retreat. They're available annually and in there they'll take you through this stuff, start to finish. Hopefully you enjoyed that.

Hopefully you get value from it. And if you're in that position, I would seriously consider getting some professional advice around it, having a look at your group structure. And if you think it's got legs for what you're doing, do something similar in your business.

Hope you enjoyed. Remember success and failure with this stuff is very, very predictable. It doesn't need to be complicated.

It doesn't need to be complex. Keep it simple and I will see you on the next episode. I hope you enjoyed this blueprint podcast episode.

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Success and failure are both very predictable. I'll see you on the next episode.