

## [4.6.15] Whether certain disbursements constitute management expenses Supreme Court Decision Summary

*Extract from Tax Briefing Issue 40 (June 2000)*

### **Whether certain disbursements constitute management expenses**

Case: *Hibernian Insurance Company Ltd - Appellant v MacUimis (Inspector of Taxes) - Respondent*

Decision made by: The Supreme Court

Decision Date: 20 January 2000

Relevant Legislation: *Section 83 Taxes Consolidation Act 1997 (previously Section 15 Corporation Tax Act 1976)*

### **Summary:**

Hibernian Group Plc. (the Group) was incorporated on 7 April 1986 with the object of facilitating the expansion of life and general insurance business carried on through subsidiary companies. The business of the Group consisted wholly or mainly in the making of investments and the principal part of its income was derived from the making of such investments. That business required the maintenance and evaluation of the existing investments of the Group and the evaluation of potential investment opportunities.

In the accounting period to 31 December 1990 the Group claimed a deduction for expenditure incurred in exploring and evaluating the possible acquisition of certain insurance companies. The expenditure was largely in respect of advice from investment bankers and leading accountants as well as legal advice. In the event only one of the companies concerned was ultimately acquired by the Group.

The Supreme Court decided that the expenditure incurred in procuring the expert and specific evaluation of all the investment opportunities did not constitute **management expenses**.

This summary is for reference only and readers are recommended to read the full text of the judgment.

N.B. In the case of *Camas plc v Atkinson (IOT) [2004] STC 860* it was held that expenses incurred in an abortive take-over were deductible management expenses. However, it should be noted that the outcome in that UK case is no more than persuasive as against the binding nature of the Supreme Court judgment above in relation to this issue.

*Reviewed: April 2016*