

Whether certain disbursements constitute management expenses, summary of Supreme Court decision

Part 04-06-15

This document should be read in conjunction with section 83 of the Taxes Consolidation Act 1997

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1 Introduction

The following is a summary of a Supreme Court decision which considered whether certain disbursements constituted management expenses:

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

Decision made by: The Supreme Court on 20 January 2000.

Relevant Legislation: Section 83 Taxes Consolidation Act 1997¹

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 – one of which was ultimately acquired by the Group. The expenditure was largely in respect of advice from investment bankers and leading accountants as well as legal advice. The Supreme Court decided that the expenditure incurred procuring such advice **did not** constitute **management expenses**.

1.1 Important points

Case summaries only provide a useful reference; therefore, it is recommended that the full text of court decisions should be read. In contrast to the Hibernian Insurance case, in another UK case, *Camas plc v Atkinson (IOT) [2004] STC 860* it was held that expenses incurred in an abortive take-over were deductible management expenses. **UK case findings are persuasive rather than binding.**

2 Other information

Please see Tax and Duty Manual 04-06-11 [Expenses of management of investment companies](#)

¹ previously section 15 Corporation Tax Act 1976