YOUR REVENUE AUTHORITY

United Kingdom: what the authority has published, and what CoVal does about it

Authority: HM Revenue & Customs, Shares and Assets Valuation (SAV). Covers England, Wales, Scotland and Northern Ireland.
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> This page compares CoVal's default recommendations with what HMRC has published. HMRC has not reviewed or approved CoVal, and nothing here is tax advice. The valuer chooses the inputs, signs the valuation and remains responsible for it.

In short

HMRC's valuation manual says a great deal about the hypothetical sale, the size of the holding and the information a buyer is assumed to have. It says nothing about how a discount rate is built. HMRC checks a valuation after the transaction, on request, and negotiates if it disagrees.

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How CoVal compares

TOPIC	WHAT HMRC HAS PUBLISHED	WHAT COVAL RECOMMENDS	HOW THEY COMPARE
What the buyer is assumed to know	It depends on the size of the holding. The buyer of a small minority is assumed to see little beyond published information; the buyer of a controlling holding is assumed to see everything. [1]	A discounted cash flow built on management's forecast, for any size of holding.	Valuer to confirm For a holding under about 25%, confirm that a forecast-based value is supportable.
Size of the holding	Critical to value, with no rules of thumb. Tribunal outcomes run from 12.5% for majority holdings to between 40% and 70% for minorities, and a 30% premium for control in one case. HMRC says none of these is authority for a rate. [2]	A scored control premium above 50%, or a minority discount at 50% or below.	Matches published guidance Compare your figure with the reported outcomes.
Restrictions on transfer, and marketability	Restrictions in the articles bind the buyer after the sale, so they reduce value. Tribunals usually apply one discount for the holding, not separate ones. [3]	A minority discount and a separate marketability discount.	Valuer to confirm Show the combined discount, and take the articles into account.
Earnings multiples	A price-earnings ratio from the most comparable quoted company, adjusted. A turnover multiple where profits are unreliable. [2]	EBITDA, price-earnings or revenue multiples from a screened peer set.	Matches published guidance Use the price-earnings multiple for HMRC work.
Net asset value	The asset basis for investment companies, with a discount for the holding. [2]	Net assets restated to fair value, each adjustment with a reason.	Matches published guidance
A business with a limited life	A tribunal valued a finite right on its remaining years only. [2]	The terminal value can be switched off, and the report says so.	Consistent with practice

Having the value checked	HMRC will check a valuation after the transaction and before the return is filed. [4]	A report that sets out method, inputs, sources and sensitivity.	Matches published guidance
Discount rate, growth and the order of adjustments (8 items)	Nothing. When HMRC tests a valuation between connected companies it follows the OECD guidelines, which ask that the rate reflect the time value of money and the risk, and that growth assumptions be examined. [5] [6]	A 10-year government bond yield less default risk; a published equity risk premium; sector betas; scored premiums for size and company risk; growth from IMF forecasts, capped.	No published position CoVal's inputs are sourced and shown in the report.

Where the authority will look to you

CoVal's default is consistent with the authority's position on the points marked Valuer to confirm . The authority expects the valuer to address them, and CoVal will prompt for each and record the answer in the report.

References

1. HMRC, Shares and Assets Valuation Manual, SVM113000 and SVM114000 series (open market value; information standards).
2. HMRC, Shares and Assets Valuation Manual, SVM113130 (case outcomes).
3. HMRC, Shares and Assets Valuation Manual, SVM113040 (share transfer restrictions).
4. HMRC, Post-transaction valuation checks for capital gains (CG34).
5. HMRC, International Manual, INTM412010 (Taxation (International and Other Provisions) Act 2010, section 164).
6. OECD, Transfer Pricing Guidelines 2022, Chapter VI, paragraphs 6.153 to 6.178.

How to read the marks.Matches published guidance: the authority has published a position on this input and CoVal's default follows it. **Consistent with practice**: no published rule for share valuations, but the authority applies the approach elsewhere or its tax court has accepted it. **No published position**: the authority has said nothing; CoVal's default is sourced and shown in the report. **Valuer to confirm**: CoVal's default is consistent with the authority's position, but the authority expects the valuer to address this point; CoVal will prompt for it and record the answer in the report. **Country setting**: the authority applies its own rule or figure; for tax work there CoVal's default is that rule. **Not covered**: CoVal does not do this; the valuer handles it outside the platform. No mark means "approved".

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