WWM v HMRC: an attempt to separate goodwill

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We consider the case of WWM (Harrogate) Ltd, where an attempt to separate goodwill from the company through which a business was conducted came unstuck.

Key Points

What is the issue?

Goodwill may belong to an individual rather than the company carrying on the business, but *WWM (Harrogate) LLP v HMRC* demonstrates that establishing separate personal goodwill depends closely on the facts.

What does it mean to me?

Personal reputation and strong client relationships are not enough in themselves to establish personal goodwill. Restrictive covenants, regulatory requirements and an individual’s ability to benefit independently from those relationships may all be significant.

What can I take away?
HMRC accepted that personal goodwill can exist separately from a company, but taxpayers must still demonstrate that the individual owns an asset capable of separate ownership and transfer.

The concept of goodwill has long caused difficulties for lawyers, accountants and tax advisers alike. As Lord MacNaghten said in *Commissioners of Inland Revenue v Muller and Co’s Margarine Ltd* [1901] AC 217, it is difficult to define although very easy to describe. One particular difficulty is identifying who actually owns goodwill when the success of a business depends heavily upon the personal reputation, expertise and client relationships of a particular individual. For many years, it was HMRC’s position that goodwill could be owned only by the person carrying on the business, although that position became increasingly vulnerable to challenge.

The concept of goodwill lay at the heart of the First-tier Tribunal’s decision in *Smith and Corbett v HMRC* [2023] UKFTT 912 (TC). In that case, the tribunal accepted that valuable relationships and reputation associated with independent financial advisers belonged to them personally rather than to the company through which they operated. Many advisers regarded the decision as a significant endorsement of the concept of personal goodwill.

However, the extent to which *Corbett* can be relied upon has been considered in the more recent case of *WWM (Harrogate) LLP v HMRC* [2026] UKFTT 832 (TC), which is the focus of this article.

The facts of the case

Mr Len Walters established a financial advisory business in 2006. Initially, he operated as a sole trader. He started with a small number of clients who followed him from a previous employer and subsequently acquired additional clients through arrangements facilitated by St James’s Place (SJP). Over time, he built a successful business based largely upon his personal reputation and client relationships.

In 2008, Mr Walters incorporated the business, transferring it to Walters Wealth Management Ltd (WWM Ltd). Goodwill of £450,000 was recognised in the company's accounts and Mr Walters declared a capital gain in respect of the transfer. From that point onwards, Mr Walters ceased to trade as a sole trader and instead acted as an employee and director of the company.

The tribunal accepted that the prosperity of the business was largely attributable to Mr Walters' efforts. New clients frequently arose through recommendations and personal introductions. Existing clients dealt principally with Mr Walters and regarded him as their trusted adviser. As he put it himself, 'people buy people'.

In 2014, acting on professional advice, Mr Walters and WWM Ltd formed WWM (Harrogate) LLP. The profit-sharing ratio was set at 80% to Mr Walters and 20% to the company. The LLP's accounts included goodwill of £860,662, which was said to represent Mr Walters' personal goodwill generated between 2008 and 2014. The value was credited to Mr Walters' capital account and amortised over ten years.

The practical consequence was that the LLP could make repayments to Mr Walters by reducing the balance standing on his capital account. HMRC challenged the arrangement and, following an enquiry into the LLP's returns, concluded that the goodwill figure should be removed from both the LLP's balance sheet and Mr Walters' capital account. The resulting dispute came before the tribunal.

The First-tier Tribunal's decision

The case came before Tribunal Judge Marilyn McKeever and Member Julian Sims.

The tribunal identified three questions:

- Was it legally possible for personal goodwill to be owned separately from the business with which it is associated?
- If so, did Mr Walters own such goodwill?
- If so, did he transfer it to the LLP?

On the first question, the tribunal accepted the appellant's case. Referring in particular to the insolvency case of *Kubrik and another (joint liquidators of Sofra Bakery Ltd) v Ucar and another* [2013] EWHC 1499 (Ch) and to *Corbett*, it concluded that goodwill associated with a business can, in principle, be owned by somebody other than the entity carrying on the business. HMRC also accepted that possibility.

The appeal therefore turned on whether Mr Walters actually owned personal goodwill in 2014.

The tribunal undertook a detailed analysis of *Corbett*. There, the tribunal had found that the advisers retained ownership of their client relationships and were free to continue advising those clients independently if they left the company. Restrictive covenants had been omitted intentionally and both advisers were personally authorised to provide financial advice. The tribunal regarded those facts as significant.

Mr Walters’ circumstances were different. The tribunal considered that he had transferred the whole of his business, including its goodwill, to WWM Ltd when the company was incorporated in 2008. Thereafter, he worked solely as an employee of the company. Although he undoubtedly continued to build and maintain valuable client relationships, those activities benefited the company rather than creating a separate asset owned personally by him.

The tribunal also noted that Mr Walters lacked his own FCA authorisation. He was able to act only through the regulatory framework provided by St James’s Place and WWM Ltd. Accordingly, unlike the advisers in *Corbett*, he could not simply have left the company and carried on advising clients independently.

The tribunal found additional support from the subsequent sale by WWM Ltd of part of its client book. The sale documentation provided that WWM Ltd was selling the relevant goodwill and warranted that it was entitled to do so without requiring the consent of any third party. In the tribunal’s view, that was inconsistent with any suggestion that part of the goodwill belonged to Mr Walters or to the LLP.

Accordingly, the tribunal concluded that any goodwill generated after incorporation belonged to WWM Ltd. What Mr Walters retained were valuable personal relationships and contacts. However, such relationships were not themselves assets capable of ownership and transfer. As a result, there was no goodwill that could have been contributed by him to the LLP, and the appeal was dismissed.

Commentary

The significance of this decision lies not in what the tribunal rejected but in what it accepted.

HMRC did not persuade the tribunal that personal goodwill is a contradiction in terms. Indeed, by relying heavily on the *Corbett* decision, the tribunal expressly accepted the possibility that goodwill can belong to an individual rather than to the entity carrying on the business. It should be noted that despite its concession before the tribunal (which was perhaps inevitable in the light of what was said in *Kubrik*), HMRC's Capital Gains Manual at CG68030 still maintains that 'goodwill is inseparable from the business'.

Nevertheless, HMRC was held to be correct to reject Mr Walters' argument that he actually owned some of the goodwill of the business. It is here that the distinctions between *Corbett* and the present case became critical.

In *Corbett*, the advisers retained the ability to take their clients with them and continue to derive income from those relationships. They possessed not merely personal relationships but an ongoing 'ability to monetise those relationships' outside the company structure.

In the present case, however, the tribunal considered that Mr Walters had no equivalent freedom. Following incorporation, he operated only through WWM Ltd. Furthermore, because he lacked personal FCA authorisation, he could not simply leave the company and continue advising clients in his own right. Whatever value was generated from his efforts accrued to the company.

This analysis has considerable force. Nevertheless, it leaves open an interesting question. Suppose that Mr Walters had retained personal FCA authorisation and had been free to continue advising clients independently if he left the company. Would the tribunal have reached the same conclusion?

I suspect that this would have been unlikely. In 2008, Mr Walters consciously transferred his goodwill to the company and, one assumes, he obtained the tax benefits that would have attached to such a transfer. Although there is no suggestion that the tribunal was criticising Mr Walters for trying to get a double helping of the tax benefits, his argument was effectively seeking precisely that.

What to do next

Notwithstanding the wording in HMRC’s manuals, advisers ought to be able to proceed on the basis that owner-managers can possess goodwill separately from their companies and can point to HMRC’s express concession in this case. However, as the case shows, that will not be sufficient in every case. *Corbett* was decided on its own facts; the facts of this case are necessarily different.

The tribunal’s decision demonstrates that close attention must be paid to the underlying legal and commercial arrangements. Matters such as restrictive covenants, regulatory requirements and the individual’s ability to derive economic benefit independently from client relationships may prove decisive.

More fundamentally, the case serves as a reminder that it is not enough to show that clients value an individual personally. The more difficult question is whether that personal reputation and those client relationships amount to an asset capable of separate ownership and transfer. On the facts of this case, the tribunal concluded that they did not.