Deloitte.
デロイト トーマツ

Global Tax Update

United Kingdom

Deloitte Tohmatsu Tax Co.

April 2015

Budget 2015

(1) Introduction

The Chancellor announced his final Budget of this Parliament on 18 March 2015. The Chancellor had the advantage of making the announcement off the back of a range of positive economic indicators – record low inflation, record high employment numbers, and very strong growth forecasts. However, this has to be balanced against a national deficit that has fallen slower than expected, and at the heart of this Budget was a renewed focus on eradicating this deficit.

There will be a General Election on 7 May 2015, and in advance of that the Chancellor's emphasis in this Budget was on the importance of responsible borrowing against the backdrop of the deficit. That said, there were a range of smaller personal tax measures that, taken together, could be seen as an attempt to appeal to the electorate.

The key measures for foreign multinational groups are summarised below. For detailed coverage and comment on the Budget, visit Deloitte's dedicated website at www.ukbudget.com

(2) Business Tax

1) Diverted Profits Tax ('DPT')

The Chancellor announced that the draft legislation published in December 2014 has been revised and the new law came into force on 1 April 2015. The announcements indicate that the notification requirement has been narrowed, with some additional revision to clarify the position for the giving of credit where overseas tax is paid, the operation of the conditions under which a charge can arise, specific exclusions and the application of DPT in the context of companies within the oil and gas regime.

The revised draft legislation was released on 24 March 2015 with updated guidance issued shortly after. The law has been enacted for UK GAAP, US GAAP and IFRS purposes prior to 31 March 2015. Consideration should, therefore, be given to the extent to which this new tax should be taken into account for provision purposes.

2) OECD's Base Erosion and Profits Shifting ('BEPS')

There were no new announcements in this Budget with regard to BEPS other than to confirm that authority will be given to introduce country-by-country reporting in Finance Act 2015. Its expected start date continues to be 1 January 2016. There was no update in relation to the introduction of legislation in respect of hybrid mismatches, with the commencement date for the new legislation still expected to be 1 January 2017.

3) Corporation tax rate

The headline UK tax rate has now reduced from 21% to 20% from 1 April 2015. This reduction has already been enacted and, therefore, this should already have been reflected for financial statement purposes.

4) Capital allowances – Annual Investment Allowance

This annual allowance was scheduled to reduce to £25,000 (from the current level of £500,000) with effect from 1 January 2016. The Chancellor has not confirmed what the rate will be from 1 January 2016 but has confirmed that the allowance will be greater than £25,000. More details on this are expected in the Autumn Statement later this year.

5) Industry specific measures

The Chancellor made a number of announcements intended to generate investment across the UK:

- Oil and gas relief – a range of measures were announced aimed at supporting the UK oil and gas sector by reducing the rate of Petroleum Revenue Tax from 50% to 35% and the supplementary charge from 30% to 20%. The consolidation of existing and further tax incentives will generate further investment in this sector.
- Creative sector relief – extension to the existing reliefs for the High End Television, and Film Tax reliefs, together with the introduction of the new Orchestra Relief and Children's Television relief.
- Banking sector – conversely, the Chancellor also announced plans to introduce legislation to deny deductions in the banking sector for compensation expenses paid to customers. There was also an increase to the Bank Levy from 0.156% to 0.21% for short term chargeable liabilities, and an increase from 0.078% to 0.105% in respect of chargeable equity and long term chargeable liabilities.

  These announcements follow on from the Autumn Statement which announced a restriction to 50% of the annual taxable profits of a bank that can be sheltered by brought forward losses.

(3) Anti-avoidance

The Chancellor announced that he is expecting to raise £5bn by 2017/2018 from renewing the government's focus on tax avoidance, evasion, and aggressive tax planning. A broad range of measures announced in the 2014 Autumn Statement have been supplemented by the following additional measures:

- A series of measures aimed at tackling offshore tax evasion, including steps to implement the UK's automatic exchange of information with overseas authorities under which specified financial institutions are required to provide information on account holders to the UK authorities
- Further tightening of the Disclosure of Tax Avoidance Scheme provisions
- Legislation specifically targeting those who repeatedly enter into tax avoidance schemes
- The General Anti-Abuse Rule ('GAAR') will be strengthened by the addition of a tax geared penalty aimed at cases dealt with under the terms of the GAAR.

In addition, the following business tax focussed announcements were made:

- Prevention of loss refresh – Legislation will be included in Finance Bill 2015 to address perceived avoidance under which companies obtain a tax advantage by entering into artificial arrangements that convert brought forward trading losses, management expenses or non-trade deficits on loan relationships into more flexible current year losses.

  If the conditions stipulated by the legislation are satisfied, then the losses will not be available to shelter current year profits.

  This measure has effect from 18 March 2015.
- Capital allowances for plant and machinery –

New legislation aimed at perceived avoidance to ensure that capital allowances are only available where capital expenditure is incurred. The types of transaction that are identified as being within the scope of this new law are connected party transactions, sale and leaseback transactions, and transfer and subsequent hire purchase/long-funding leaseback transactions, including transactions with overseas connected parties.

This measure has effect from 26 February 2015.

(4) Compliance

The Chancellor announced the following measures with the aim of improving compliance:

- The paper personal tax return is to be replaced by an online digital tax account. Further details on this will be released later in the year.
- The government is considering responses to the recently closed consultation process regarding the management of tax audits by HMRC. Proposals were announced in the Autumn Statement which would allow for certain elements of the audit to be agreed and closed whilst others remained open.

Newsletter Archives

To see past newsletters, please visit our website.

www.deloitte.com/jp/tax/nl/eu

Contacts

Deloitte LLP (London)

Yuki Konii, Partner

ykonii@deloitte.co.uk

Hiro Hidaka, Director

hhidaka@deloitte.co.uk

Issued by

Deloitte Tohmatsu Tax Co.

Tokyo Office

Shin-Tokyo Building 5F, 3-3-1, Marunouchi, Chiyoda-ku, Tokyo 100-8305, Japan

TEL： +81-3-6213-3800

email： tax.cs@tohmatsu.co.jp

Corporate Info.： www.deloitte.com/jp/en/tax

Tax Services： www.deloitte.com/jp/tax/s/en