

Global Tax Update

United Kingdom

Deloitte Tohmatsu Tax Co.

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Spring Budget 2021: Tax Day

As outlined in [our Spring Budget 2021 Newsletter](#), 'Tax Day' took place for the first time on Tuesday 23 March, where the UK government made some tax specific announcements in addition to the Budget announcements on 3 March 2021. Tax Day involved the release of various consultations, calls for evidence and other tax policy materials.

There were relatively few significant tax measures introduced for Japanese groups compared with the recent Budget, but there are a number of interesting policy matters being consulted on – we have included a summary of these below. For further detail on the measures introduced, a Command Paper is available [here](#) which sets out an overview of all of the topics being considered, with an Annex listing the deadlines for responding to the consultations and calls for evidence.

1. Transfer pricing documentation

The Treasury are opening a consultation into UK transfer pricing documentation requirements. Some of the proposals covered by the consultation include whether to introduce:

- New UK legislation, in line with BEPS Action 13, requiring multinational entities within country-by-country reporting to keep, and provide on request (within 30 days), both **master and local files**.
- A requirement to produce an **evidence log** within the local file whereby key evidence, upon which technical transfer pricing opinions are based, is maintained.
- A requirement for all businesses within the UK who are subject to transfer pricing legislation to include within their annual tax return an **"International Dealings Schedule"**, setting out cross border transactions with associated enterprises (UK-UK transactions would be excluded). Where a company has many transactions with a foreign associated party, these could potentially be amalgamated and there is a suggestion about one entity in the group filing on behalf of all others.

The consultation will run until 1 June 2021. The ConDoc is [here](#).

2. Notification of uncertain tax treatment by large businesses

The treasury are opening a second consultation on the proposed notification of uncertain tax treatment rules for large businesses. It is expected that large businesses will need to notify HMRC where they take an uncertain position (defined as a position with which HMRC disagrees or where their view is not known), where there is tax at stake of at least £5m (this has increased from the £1m figure in the last consultation). This will apply to corporation tax (with transfer pricing matters excluded in certain circumstances), income tax (including PAYE) and VAT. It is proposed that the rules only apply to companies and groups within SAO or which have to publish a UK tax strategy.

Notification would be made to the CCM, or to an alternative route that will be defined for companies without a CCM. If notification is required, it would take place annually, when the relevant return is due to be filed, and there will be a £5k penalty levied on the company for failure to notify. The consultation will run until 1 June 2021, and the new rules are currently expected to take effect from April 2022. The ConDoc is [here](#).

3. Tax administration framework review

A consultation has been launched to understand how the tax administration framework could be reformed and modernised, to provide a better experience for businesses, reduce the tax gap and help build greater resilience to future crises. The consultation requests views on what the overall objectives of the tax administration framework should be, as

well as comments on how to simplify and modernise specific aspects. The consultation will end on 13 July 2021 and the ConDoc can be found [here](#).

4. VAT measures

Last August the government published a call for evidence around VAT grouping. A summary of responses will be published before the summer and the government has decided not to take this any further. In addition, a summary of responses has been published to the call for evidence on the simplification of VAT Partial Exemption rules and the associated Capital Goods Scheme. The document includes an update on how HMRC intend to update internal systems in order to simplify the existing processes. The summary of responses can be found [here](#).

5. Fundamental review of business rates

In the March 2020 Budget, the Government announced a fundamental review of the business rates system and a consultation was launched. An [Interim Report](#) has now been published, which sets out an overview of the responses from the consultation. The final report will follow in Autumn 2021, which will set out the Government’s priorities for reform and its longer-term strategy for the business rates system. This consultation discusses the possible introduction of an “Online Sales Tax” (details can be found from Page 40 onwards).

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