



# Global Tax Update

United Kingdom

Deloitte Tohmatsu Tax Co.

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## 1. CJEU decides holding companies can reclaim input VAT

The CJEU has delivered its judgment in the joined cases of *Beteiligungsgesellschaft Larentia + Minerva mbH & Co. KG* and *Marenave Schiffahrt AG*. The cases concerned the recovery of input tax incurred by holding companies, and the possibility that "non-corporates" may be included in VAT groups. The Court has followed the AG's opinion in the cases, and concluded that VAT incurred by holding companies that make charges for managing their subsidiaries should be recoverable, subject to any restriction resulting from any exempt supplies that they make (e.g. the interest on loans to subsidiaries). The CJEU also decided that the EU law on VAT groups prevents Member States from limiting VAT grouping to 'entities with legal personality and linked to the controlling company of that group in a relationship of subordination ...', except when such a restriction is needed '... to prevent abusive practices or behaviour or to combat tax evasion or tax avoidance ...'.

## 2. Consultation on improving large business tax compliance

It was announced in the Summer Budget that there would be a consultation on improving large business compliance. The consultation document has now been published, and HMRC are inviting responses up to 14 October. The

consultation proposes the following measures.

- 1) A legislative requirement for all large businesses to publish their tax strategy, enabling public scrutiny of their approach towards tax planning and tax compliance.
- 2) A voluntary 'code of practice on taxation for large business', which would set out the behaviours which HMRC expects from its large business customers.
- 3) A narrowly targeted 'Special Measures' regime to tackle the small number of large businesses that persistently undertake aggressive tax planning, or refuse to engage with HMRC in an open and collaborative manner.

The businesses intended to be in scope for these measures are broadly those administered by HMRC's Large Business Directorate. The Senior Accounting Officer (SAO) qualifying criteria (i.e. businesses with UK turnover of more than £200 million and/or a relevant balance sheet total of more than £2 billion for the preceding financial year) are expected to apply but it is not anticipated that these measures will form part of the SAO requirements.

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