



ICEbreakers: Unlocking United Kingdom



Hot topics

Finance Bill 2017-19: Finance (No. 2) Bill 2017-19 was published on December 1, 2017 to include measures announced in the Autumn Budget. The key changes announced that would affect corporate taxpayers are as follows:

Updated anti-hybrid legislation

- The hybrid mismatch rules that became effective on January 1, 2017 seek to counteract arrangements that otherwise would give rise to double deductions (DD) for the same expense or deduction/non-inclusion (D/NI) mismatches. The rules apply to direct DD or D/NI mismatches, as well as where a mismatch has been imported into the UK, and can apply to both financing and operating structures. Final guidance was published in December 2017, but does not take into account the draft legislation published on December 1, 2017. The guidance, therefore, will be updated in 2018 once the legislation has been enacted (likely in February 2018). Recent updates to the legislation include the following:
 - Amendments to broaden the definition of “dual inclusion income”;
 - The recognition of dual inclusion income when considering imported mismatches;
 - Confirmation that withholding taxes should be ignored for purposes of the regime; and
 - Confirmation that taxes charged at a nil rate should be disregarded for purposes of the regime.

2. Consultation on taxing the digital economy

- The government has released a position paper setting out its intentions for ensuring that international digital businesses are taxed commensurately with the value they generate from the UK market.
- The position paper sets out the view that long-term solutions to these challenges will be achieved through multilateral reform and, therefore, an interim solution is required.
- One example of the interim solutions proposed to apply from April 2019 is the extension of withholding tax on royalties paid to low-tax jurisdictions where the royalty is attributable to UK sales, even where there is no permanent establishment.

3. Consultation on enhancing the intellectual property regime

- A consultation will be held in 2018 on the UK’s intangible fixed asset regime that has been in place since 2002. The consultation will consider whether there is an economic case for changes to the regime, with the key aim of better supporting UK companies investing in IP.

4. Taxing capital gains on UK immovable property for nonresident companies

- As from April 2019, UK corporation tax will be charged on gains made by nonresidents on disposals of all types of UK immovable property. Existing treaty relief may be available in some circumstances. The UK currently does not tax gains made on immovable property by nonresidents.
- It has been confirmed that income received by nonresident companies from UK property will be chargeable to corporation tax rather than income tax as from April 2020. This could have a significant impact on nonresident landlords who will be brought within the scope of the corporate interest restriction, loss restriction and anti-hybrid rules.

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