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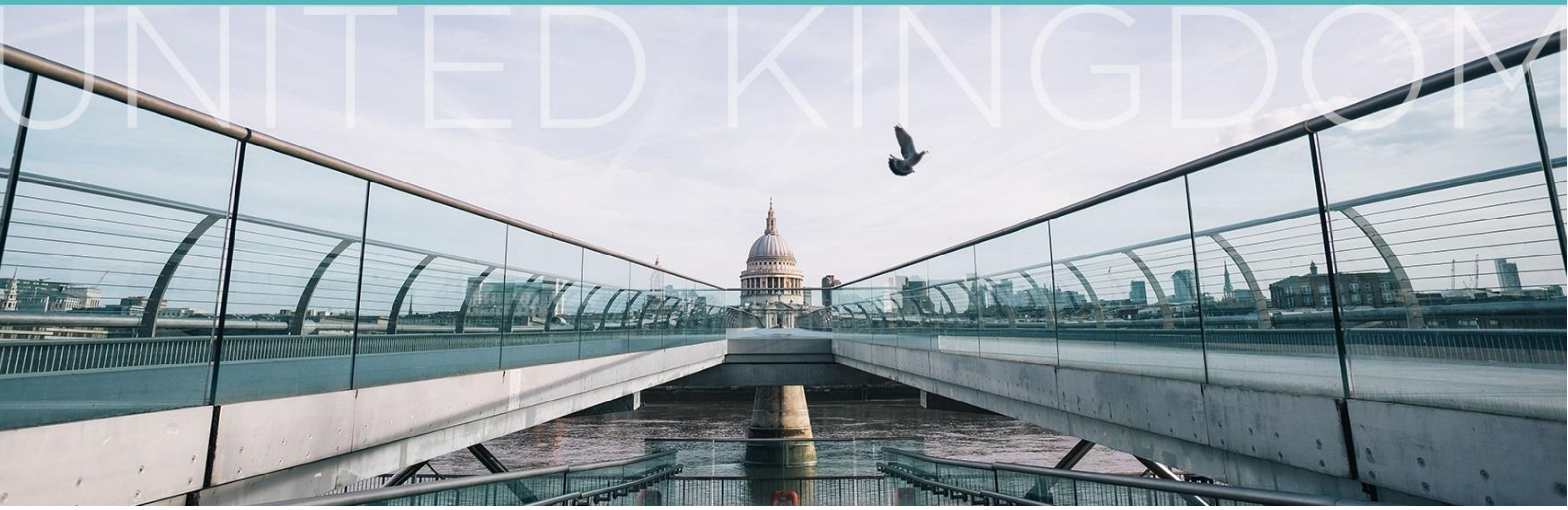

UK SPRING BUDGET 2017 – A SUMMARY OF KEY CORPORATE TAX REFORMS

Speaking yesterday morning (8 March 2017), Philip Hammond, the UK Chancellor of the Exchequer, made his UK Spring Budget Speech in Parliament. In the first budget since the EU referendum, there were a number of announcements potentially affecting multinationals and their UK business operations.

The key points from the budget statement are summarised below:

- **Substantial Shareholder Exemption reforms** – in a new proposal, with effect from 1 April 2017, the government will simplify and broaden the rules that exempt from tax the gains arising on the sale of a UK trading company or group.

- **Reform of corporation tax losses -** the government will reform the rules governing corporate losses carried forward from earlier periods to (i) allow companies to use carried forward losses against profits from different types of income and profits of other group companies arising on or after 1 April 2017; and (ii) restrict the use of losses carried forward by companies that reduce their profits arising on or after 1 April 2017 by more than 50%.

- **Confirmed rules on deductibility of corporate interest expense** – in confirming previous proposals, from 1 April 2017 each worldwide group's net deductions for interest will be restricted to 30% of the earnings before interest, tax, depreciation and amortisation (EBITDA) that is taxable in the UK. All groups will be able to deduct up to £2 million of net interest expense per annum, so groups below this threshold will not need to apply the rules.

- **Double Taxation Treaty Passport Scheme** – revisions to the scheme have been announced to simplify, for overseas lenders, access to reduced withholding tax rates on interest that are available within the UK's tax treaties with other territories. The Double Taxation Treaty Passport scheme was previously restricted to corporate lenders and corporate UK borrowers - from 6 April 2017, this restriction will be removed and will now apply to all types of overseas lenders and UK borrowers.

- **Extending corporation tax to non-resident companies** – it was previously confirmed that the government would consult on bringing non-resident companies (currently chargeable to Income Tax on their UK taxable income, such as royalties and rental income), into the more generally favourable UK corporation tax regime. Yesterday's announcements widen the scope of the proposed consultation to non-resident capital gains tax, for example, on disposals of UK residential property, but will not extend to other gains realised by non-UK resident companies.

Contacts

Ontier's global presence and expert lawyers are ideally placed to assist your business with the challenges and opportunities that lie ahead. If you would like to discuss any of these issues further, please contact Deepash Patel (deepash.patel@scaontier.com).