



HM TREASURY

Taxation of Foreign Profits of Companies

Plenary session

19 July 2007

Modernisation of tax system

Business has expressed concern in 3 areas

- Business competitiveness - CT package for domestic CT regime addresses this
- Admin burden - HMRC Varney work addresses this
- Taxation of foreign profits of companies - current piece of work addresses this



Taxation of foreign profits - headlines

For large/medium business discussion paper offers

- Exemption for foreign dividends from controlled companies;
- A more targeted, more effective controlled companies regime (applying in part in the UK);
- No wide ranging interest restriction, but limited, targeted changes to prevent abuse;
- Repeal of the Treasury Consents legislation and its replacement by a modernised reporting regime;
- Consideration of need for any further anti-abuse measures.



Taxation of foreign profits - headlines

- Proposals are tailored to needs of different sizes of companies – so there is a different package for smaller business.
- Government also seeking views on options for portfolio dividends. and needs to understand consequences of each option.



Key points

- Aim is to modernise and create a more straightforward regime for taxing foreign profits.
- There are trade-offs for business. But aim is for a balanced, broadly revenue-neutral outcome so modernisation is achieved in a way that provides essential Exchequer protection.
- Government and business need to work together to achieve a result that meets needs of all



Aims of foreign profits discussion

- To facilitate mutual understanding by business and government of the proposed package, its potential implications, and the issues it raises
- To seek input from business to inform more detailed design work in line with Varney, which envisages collaboration between Government and business to develop changes to tax system.

