

Foreign profits: portfolio dividends: meeting 26 July 07

External attendees

Mike Chadwick (ABI)
Colin Gunney (ILAG)
Bill Sandiford (Zurich)
Sarah Knight (ABI)
Juliet Philips (Lloyds)
Stephen Newcombe (HSBC)
Sue Cooper (Schroders)
Alistair Nash (HBOS)
John Davison (IMA)
Barbara Delputte (IMA)

Issues raised

- credit based on real underlying tax would be very unwelcome – it would be completely impracticable to obtain information, and would be a admin burden out of proportion to the individual DTR claims being made for portfolio investments
- credit based on the CT headline rate would be better for business, although even that would be burdensome where a lot of countries involved, and could be complex. HMRC would need to publish appropriate rates
- tax compliance burdens could result in investment managers making investment decisions for the wrong reason
- balance may be swinging in favour of exemption for authorised investment funds, but managers have mixed views on possible loss of treaty benefits
- whether or not a tax rate of 0% was exemption
- impact of ECJ decision in Denavit on the treaty benefit position
- avoidance possibilities if exemption available for portfolio dividends of all companies
- exemption for funds would probably not impact on investment by fund managers
- exempting foreign dividends may have little tax impact (i.e. on yield), because they currently receive double tax relief for non-UK WHT as well as relief for excess management expenses anyway
- if a carve out for collectives was needed from the tax treatment provided for companies generally, a definition of a ‘good’ collective might be based on existing anti-avoidance legislation in this area (e.g. a “widely held” provision)
- whether an option to elect for exemption would be beneficial
- whether funds might have holdings in excess of 10% (yes but very rare)
- no options suggested other than those mentioned in discussion document

- the application of the controlled companies rules to life companies, and the impact of regulatory requirements