

# Taxation of the Foreign Profits of Companies

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## Module 1: Dividends/Controlled Companies/Treasury Consents

### Business attendees

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### List of issues discussed

#### **Dividend proposals**

- Transitional issues: method of introduction of exemption and linkage of exemption to profits that have been subject to the CC charge.
- Threshold for the participation: scope for a lower threshold, or one that diverges from the CC trigger threshold. (Linkage also to decisions on portfolio dividends.)
- Impact of exemption on UK DTAs.

#### **Controlled Companies proposals**

##### *Control*

- Meaning of proposal to modernise control definitions.
- Scope of additional control provisions in relation to trusts.

##### *Scope/nature of CC regime*

- Overall scope of CC regime – bearing in mind the context and its role in the package: competitiveness implications of the regime for the UK, especially for sectors whose business revolves around IP.

##### *Income definitions*

- Scope of and rationale for provisions on income that is “passive in substance” (para 4.21).
- Scope of and rationale for inclusion of IP: arguments for and against inclusion of foreign developed IP.
- How scope affects revenue neutrality.
- Whether to provide a motive test, or “white list” or additional “substance” tests to (a) reduce scope and (b) ease administration.

- Possibility of a motive test to cover acquisitions (as the motive test is used now).
- Design of group treasury exemption.
- Design and scope of same country exemption.
- Scope of “other mobile income” category and reasons for including this in the regime.
- Scope of capital gains proposals.

#### *Practical issues*

- Measurement of income – use of standards other than UK GAAP.
- Administration generally – and linkage of this to scope.

#### *Underpinning for CC rules*

- Rationale for a stand-alone anti-diversion rule as a possible accompaniment to the CC rules.

#### **Treasury Consents**

- Scope of, and case, for information
- What is meant by “real-time”.

#### **Follow-up**

Further meeting to discuss

- Scoping on IP/assets and on capital gains (CC rules);
- Scope of anti-diversion rule;
- Behavioural effects for the package.

and separately

- the active finance exemption (CC rules).

HM Treasury