

UK 2021 Budget

“Despite the significant tax contribution of the FS sector, the UK is on course to become less tax competitive and therefore less attractive as a location compared with other financial centres.”

The Chancellor of the Exchequer presented his Autumn Budget and Spending Review to Parliament on 27 October 2021. The accompanying Finance Bill is due to be published on 4 November 2021 with further details on some of the proposals contained therein.

Corporation tax

As was previously announced, the rate of corporation tax will increase from April 2023 to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19%, and there will be taper relief for businesses with profits between £50,000 and £250,000.

Bank Surcharge and annual allowance

The rate of the surcharge will be decreased to 3% from April 2023 (currently 8%). Taking account of the 25% corporation tax rate from April 2023, the total rate of tax payable by banks on their profits will increase to 28% - a 1% increase compared to the current 19% corporation tax and 8% bank surcharge. The annual surcharge allowance for groups will be increased from £25m to £100 million with effect from April 2023.

IFRS 16 and Loss Relief

Loss relief rules are to be amended to ensure that the legislation continues to work as intended for companies adopting IFRS 16. The changes will have retrospective effect from 1 January 2019.

Abolition of Cross-Border Group Relief

From 27 October 2021, the cross-border group loss relief rules applying to European Economic Area resident companies trading in the UK through permanent establishments are to be repealed.

Notification of uncertain tax treatments by large businesses

As previously announced, the Finance Bill 2021-22 will introduce new requirements for large businesses to notify HMRC for any uncertain tax positions that they adopt in their filings for VAT, corporation tax, or income tax (including PAYE) where the tax benefit exceeds £5m for a 12-month period. The Government has indicated that it will withdraw the contentious third trigger due to its subjectivity – which would have applied where there was a substantial possibility that “a tribunal or court would find the taxpayer’s position to be incorrect”.

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Qualifying asset holding companies (QAHC)

A new QAHC tax regime has been announced, pursuant to the ongoing review of the UK funds regime. For QAHC investors, the new QAHC regime introduces a raft of new measures, from exempting gains and profits to allowing certain amounts to be treated as non-UK source income for qualifying remittance basis users. The new regime is expected to enhance the attractiveness for businesses setting up in the UK.

Re-domiciliation of Companies to the UK

The Government has launched a consultation with proposals for making it easier for offshore companies to move their domicile to and relocate to the UK.

Economic Crime Levy

The Levy is due to commence in the financial year from 1 April 2022 to 31 March 2023 on medium, large and very large entities that are regulated for anti-money laundering purposes at any point during that year. The Levy will be collected by (among others) HMRC, with unpaid levy debts and any related penalties being owed as a civil debt to the Crown. The rate of the Levy will depend on the relevant UK revenue of the relevant regulated entity, with threshold figures and Levy amounts to be finalised in Finance Bill 2021-22.

High-Skilled Migration

UK's immigration system is to be upgraded to attract highly skilled people to the UK. The proposals include a new Scale-up Visa, to be launched in spring 2022, designed to assist UK's fast-growing businesses to access overseas talent.

Hansuke will be working closely with client financial institutions and industry bodies in respect of the above. If you wish to discuss how it would affect your business, please contact us at: info@hansuke.co.uk

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