

Latest tax developments in the UK of interest to foreign investors or workers

Presented by

Graham Busch
B.COM, ACA, CA(SA)

Lisbon April 2013



Contents

1. INVESTMENT INCENTIVES

- Annual Investment Allowance
- Research & Development
- Patent Box
- Remittance Basis of Income Tax

2. STRUCTURING DEVELOPMENTS

- Corporation Tax Rates
- Audit Threshold/Holding Companies
- Residential Property Structures
- Controlled Foreign Corporations

3. INCOME TAX

- Income Tax Rates
- Statutory Residence Test
- Offshore Disclosure Facilities
- Swiss-UK agreement

ANNUAL INVESTMENT ALLOWANCE

- Upfront write-off up to £250,000 capital expenditure
- Usually 18% per annum on reducing balance basis

RESEARCH & DEVELOPMENT

- 225% allowance on relevant expenditure by SME's
- 130% allowance for large companies
- 11% above the line payable credit to loss-making SME's
- 10% credit payable to large loss-making companies

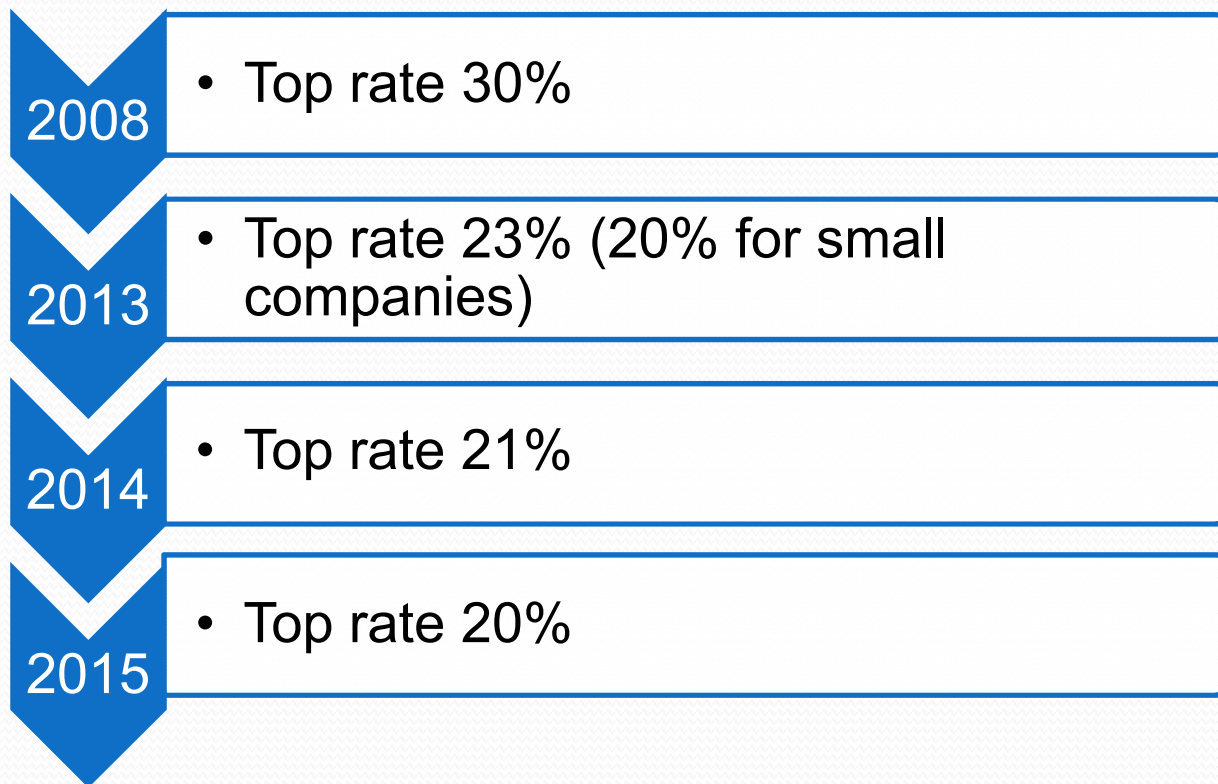
PATENT BOX

- 10% corporation tax rate
- On profits derived from qualifying patents and certain other IP (initially 60%)
- “Profits” include royalties and sales of the related products
- Applies to UK and certain European patents

REMITTANCE BASIS OF TAX

- Applies to resident non-domiciled individuals
- Taxed on remitted foreign income and gains
- Exemption on remitted funds used in qualifying investments

CORPORATION TAX RATES



Rates cut by one third in 7 years!

HOLDING COMPANIES/AUDIT THRESHOLD

- Recap on UK holding companies:
 - No corporation tax on dividends from relevant treaty countries
 - No withholding tax on dividends paid to parent
- Largest number of double tax agreements worldwide, so:
 - Reduced/zero withholding tax on dividends paid by daughter companies
 - No capital gains tax on sale of daughter company subject to a few conditions

HOLDING COMPANIES/AUDIT THRESHOLD

Recap on
UK holding
companies:

- No corporation tax on dividends from relevant treaty countries
- No withholding tax on dividends paid to parent

Largest number
of double tax
agreements
worldwide, so:

- Reduced/zero withholding tax on dividends paid by daughter companies
- No capital gains tax on sale of daughter company subject to a few conditions

HOLDING COMPANIES/AUDIT THRESHHOLD

Audit requirement:

Pre-1 October 2012, obligatory audit if 1 of:

- Turnover > GBP6.5m (say €7.5m)
- Gross assets > GBP3.26m (say €3.75m)
- Employees > 50
- Applied to UK company AND/OR worldwide group

1 October 2012 onwards:

- Obligatory audit only if 2 of the above apply

HOLDING COMPANIES/AUDIT THRESHHOLD

Audit requirement

Pre-1 October 2012,
obligatory audit
if **1** of the below apply

1 October 2012 onwards:
Obligatory audit only if **2** of the
below apply

Turnover > GBP6.5m (say €7.5m)

Gross assets > GBP3.26m (say €3.75m)

Employees > 50

Applied to UK company AND/OR worldwide
group

RESIDENTIAL PROPERTY STRUCTURES

- Traditionally use of offshore companies
- “Expensive Property” taxes
- Residential property value >£2m (€2.3m)
- Owned by “non-natural persons”
- Stamp Duty Land Tax 15% (ordinarily 7%)
- Annual Tax on Enveloped Dwellings 0.3% - 0.75%
- On £2m property – £15,000 (€17,000)
- Capital Gains Tax at 28%
- Does NOT apply to residential property < £2m or to commercial property

CONTROLLED FOREIGN CORPORATIONS

- No UK corporation tax if foreign company pays 75% or more of what it would pay in the UK
- Exemption for low profits, low margins, certain profit categories
- Now “gateway”
- Allows exemption for:
 - UK tax reduction not the main purpose
 - Insignificant UK management/control of CFC’s assets/risks

INCOME TAX

INCOME TAX RATES

Tax year 2013/14		Tax year 2012/13	
INCOME (£)	Tax Rate	INCOME (£)	Tax Rate
0 – 9,440	0%	0 – 8,105	0%
9,441 – 41,450	20%	8,106 – 42,475	20%
41,451 – 159,440	40%	42,476 – 158,105	40%
159,441+	45%	158,106 +	50%

Lisbon April 2013



INCOME TAX

STATUTORY RESIDENCE TEST

- Automatic overseas test
- Automatic residence test
- Sufficient ties test, including:
 - Family
 - Accommodation
 - Work
 - Previous years

OFFSHORE DISCLOSURE FACILITIES

- Allow UK residents to “come clean” re foreign assets/income
- Reduced interest/penalties/time periods
- Applies to assets in:
 - Liechtenstein
 - Isle of Man
 - Jersey
 - Guernsey

SWISS–UK AGREEMENT

- Applies to Swiss bank accounts with UK resident addresses or UK nationals
- Swiss banks must:
 - Deduct tax and pay over to UK anonymously, or
 - Disclose names and assets to UK tax authorities
- Opt out for non-domiciled UK residents

Lawrence Grant, Chartered Accountants London, United Kingdom

Contact details

Address: 2nd Floor, Hygeia House
66 College Road
Harrow, Middlesex
HA1 1BE
United Kingdom

Telephone: +44 (0)20 8861 7575

Fax: +44 (0)20 8863 9198

Web: www.lawrencegrant.co.uk

Email: Graham Busch - graham@lawrencegrant.co.uk