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# Global Tax Alert

## UK Government publishes draft clauses for Finance Bill 2020-21 alongside new tax consultations

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On 21 July 2020, the United Kingdom (UK) Government published draft clauses for the next Finance Bill (Finance Bill 2020-21). The Government has previously confirmed that Finance Bill 2020-21 will be introduced to Parliament following the Autumn Budget (the date of which is still to be confirmed).

From a corporation tax perspective, two minor changes to the corporate interest restriction (CIR) legislation are proposed. Under one of these, the CIR rules would be amended to ensure that no penalties arise for the late filing of an interest restriction return if there is a reasonable excuse for the failure - this change is intended to bring the CIR administrative rules in line with those for corporation tax self-assessment. In addition, a technical change to the provision which deals with the application of the CIR rules to REITs (real estate investment trusts) is proposed.

The remainder of the draft clauses largely cover pre-announced policy changes. As expected, draft legislation has been published to implement a 2% stamp duty land tax (SDLT) surcharge on property purchases by non-UK residents, which will come into effect from 1 April 2021, subject to a number of transitional provisions. However, many of the issues that were raised during the consultation period have not been addressed. In particular, the design of the legislation means that there may be some individual taxpayers who will find themselves not resident for the purposes of SDLT but resident for income tax. As the rules

also catch nonresident companies, close companies who are controlled by nonresidents, trusts and partnerships it will not be possible for nonresidents to acquire residential properties through a vehicle without paying the additional 2%.

There were also changes to the Promoters of Tax Avoidance Schemes legislation including making changes to HMRC's powers to issue "stop notices" and a range of technical amendments. A consultation seeks views on proposals to strengthen the sanctions against those who promote or enable tax avoidance schemes.

Separately, Royal Assent to Finance Bill 2020 was given on 22 July and the provisions in that Bill are now enacted as *Finance Act 2020*.

### Tax consultations and calls for evidence

Alongside the draft Finance Bill clauses, several new tax consultations were announced in addition to the ones that were opened earlier this year, and which have been extended to close in August. Those consultations include one on amendments to the tax treatment of hybrid mismatch arrangements and one on notification of uncertain tax positions (see EY Global Tax Alert, [UK issues 2020 Budget](#), dated 13 March 2020).

The newly issued consultations include ones considering:

- ▶ **Scope of qualifying expenditures for research and development (R&D) Tax Credits:** The Government is consulting on what costs companies can include in R&D tax credit claims, and in particular, whether to include R&D costs for data and for "cloud computing." The consultation closes on 13 October 2020.
- ▶ **Creation of an economic crime levy:** This levy was announced at Budget 2020 for the anti-money laundering (AML) regulated sector. The Government intends for the first set of levy payments to be made in the financial year 2022/23 and is proposing that the levy is based on revenue with small AML regulated businesses being exempt. The consultation closes on 14 October 2020.
- ▶ **Operation of a Carbon Emissions Tax:** This consultation sets out how the Carbon Emissions Tax would operate if it was introduced from 1 January 2021 and proposes how the tax might be developed. It closes on 29 September 2020. HMRC will publish a response to this consultation during 2020 and, if the tax were to be introduced, secondary legislation would be laid before Parliament by the end of 2020 with more in 2021 or 2022.

- ▶ **Call for evidence on the modernization of the stamp taxes on shares framework:** This call for evidence invites views on the principles and design of a new framework for Stamp Duty and Stamp Duty Reserve Tax. It closes on 13 October 2020.
- ▶ **Invitation to contribute to a fundamental review of business rates:** This call for evidence seeks views on how the business rates system currently works, issues to be addressed, ideas for change and a number of alternative taxes (including a capital value tax and an online sales tax). The Government has asked for views on some sections by 18 September 2020 but the deadline for responding to the majority of issues is 31 October 2020, ahead of the review's conclusion in Spring 2021.

### Government's roadmap for Making Tax Digital and agenda for a 21st century tax system

Finally, the UK Government reaffirmed its commitment to extending the Making Tax Digital (MTD) rules to other taxes over and above value added tax (VAT) to which it currently applies. It will consult in the autumn on the detail of extending Making Tax Digital to incorporated businesses with corporate tax obligations.

With respect to wider reform of the tax-administration system, the Government's report (*Building a trusted, modern tax administration system*) sets out its view that real-time information will be at the core of an effective, modern tax system. Alongside the extension of the existing MTD program, key aspects of the proposed strategy include digitization of tax administration, timely tax payment and reform of the tax administration framework. The document states that HMRC is keen to hear views on these proposals and that it will engage with key stakeholder forums as the proposals are developed. There will also be dedicated consultation on some elements of these reforms, with more details set out at future fiscal events.

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