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# Global M&A series

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# Introduction

In the constantly evolving world of international tax, with the added complexity of the global pandemic, businesses operating in the U.K. have also had the additional complexities of Brexit to challenge them. Multinational enterprises trading in or investing into the U.K. have had many changes to contend with in recent years and even those experienced in the U.K. market have many questions about what exactly has changed, how they should be structuring their investments and how best to manage their risk.

We'll consider:

- What are the opportunities and pitfalls to be aware of when investing into the U.K.?
- Does the U.K. still work as a holding company jurisdiction?
- How should multinationals structure their intellectual property ownership?
- What should you know about U.K. governance rules when buying or owning a U.K. business?

Join our expert panel as they discuss the most up to date changes in U.K. tax and how these interact in the global marketplace.

**What are the opportunities and  
pitfalls to be aware of when  
investing into the UK?**

**01**

# Investing into the UK – Opportunities and pitfalls

## The overall UK tax framework

# 1

### “Open for business”

- Low (but increasing) tax rate: 19 percent to 25 percent from April 2023
- Investment incentives to reduce tax base

# 2

### Mature tax system

- Established but complex legislation...
- ...so a need for quality advisors to help navigate it!

# 3

### Tax authority style

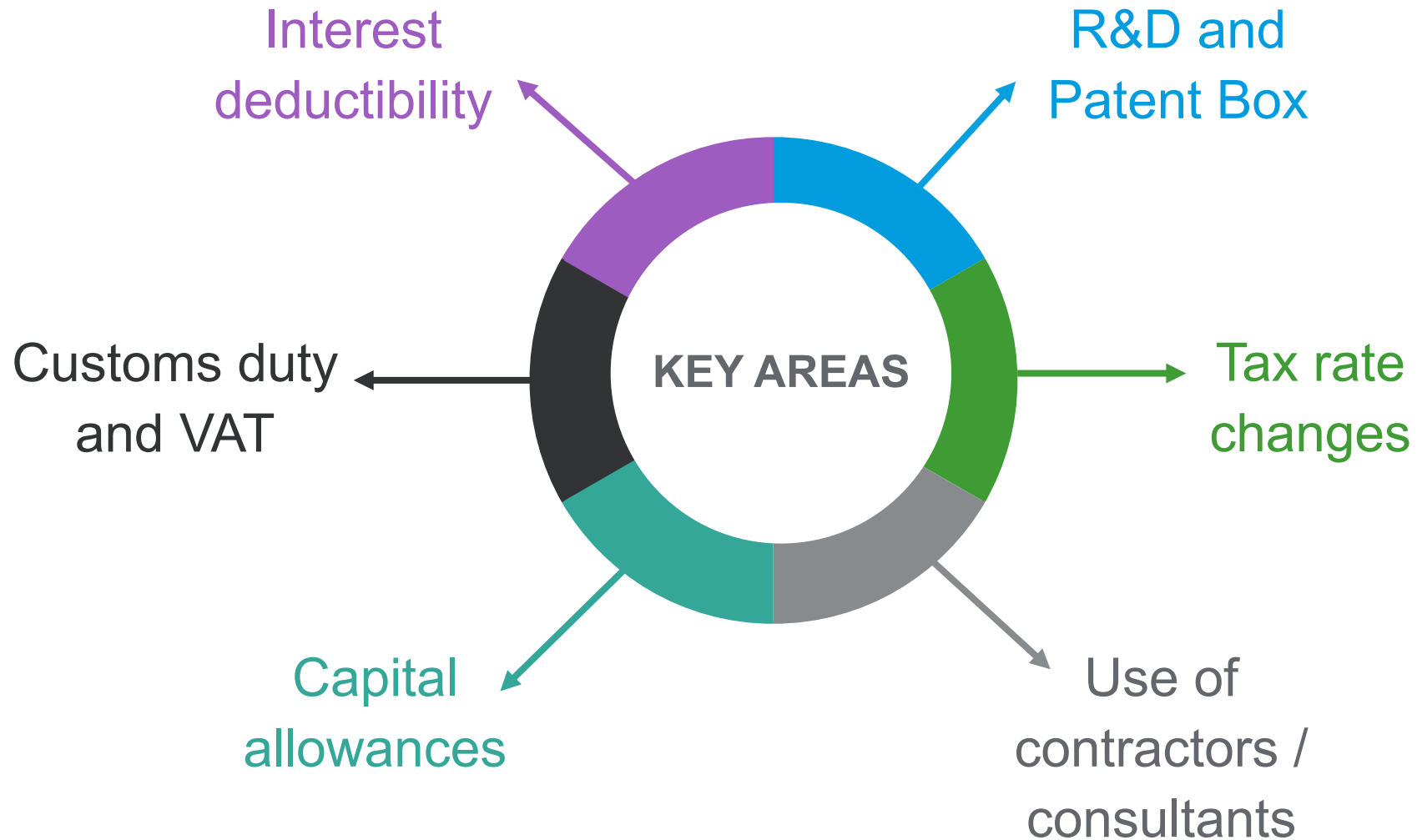
- Limited resource, leading to a “risk-based” approach
- Becoming more sophisticated
- Rulings available

# 4

### Compliance focus

- Automation of reporting and data analysis
- Increasing amount of tax filing requirements

# Investing into the UK – Opportunities and pitfalls



**Does the UK still work as a  
holding company jurisdiction?**

**02**



## Does the UK still work as a holding company jurisdiction?

Challenging  
developments in  
recent years

- Brexit
- Main rate of corporation tax increase
- VAT recovery challenges
- Complex tax legislation introduced
  - Hybrids mismatches – effective Jan. 1, 2017
  - Corporate interest restriction – effective April 1, 2017
  - Loss carry-forward restriction – effective April 1, 2017

## Does the UK still work as a holding company jurisdiction?

Reasons to be  
cheerful

- Brexit
  - Comprehensive treaty network
  - Double tax treaty passport scheme
  - Self assessment option for certain royalty payments
- Main rate of corporation tax increase
  - Lowest in G7 (bar Russia...)
  - Comparable with other favourable regimes
- Anti-tax avoidance directive III (ATAD 3)

## Does the UK still work as a holding company jurisdiction?

Features  
attractive to  
holding  
companies

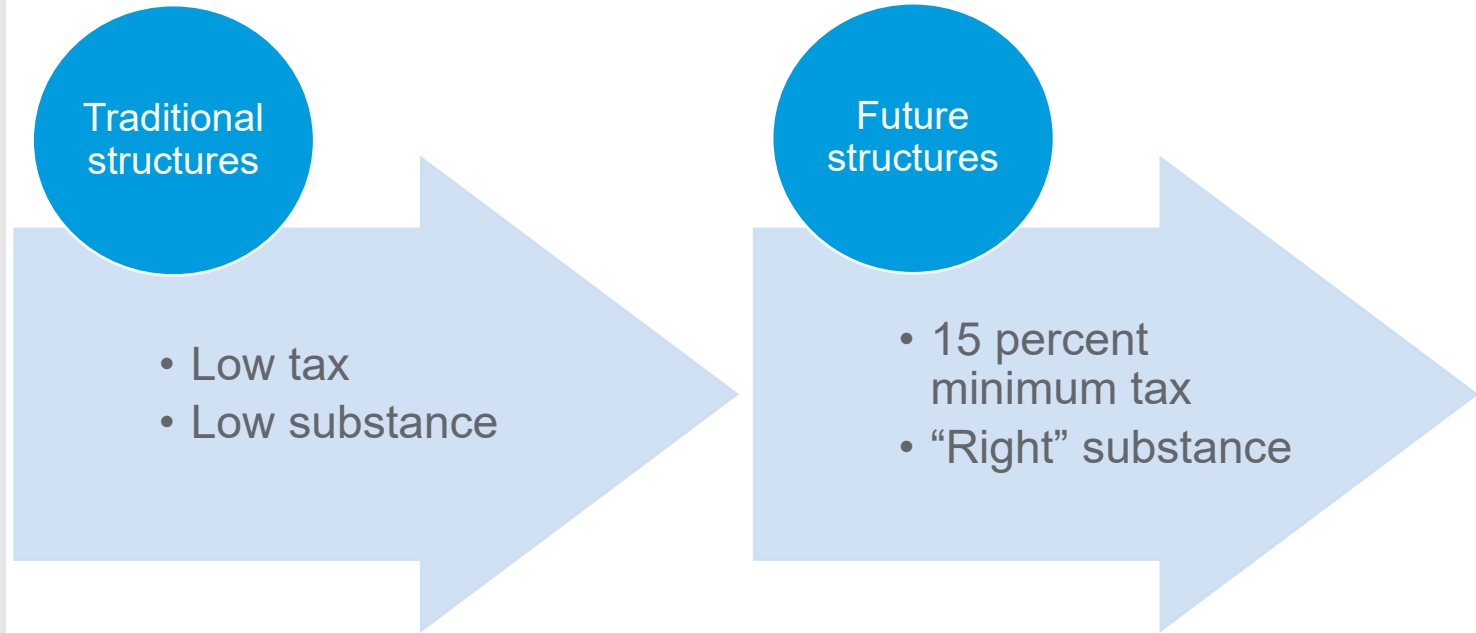
- Substantial shareholding exemption
  - Further easements - effective April 1, 2017
- Dividend exemption
- No withholding taxes (WHT) deducted at source on dividends paid from the U.K.
- Extensive controlled foreign company (CFC) exemptions
- No expiry date on losses carried forward
- Asset holding company regime - effective April 1, 2022
- Non-tax factors

**How should multinationals  
structure their intellectual  
property ownership?**

**03**

# How should multinationals structure their intellectual property ownership?

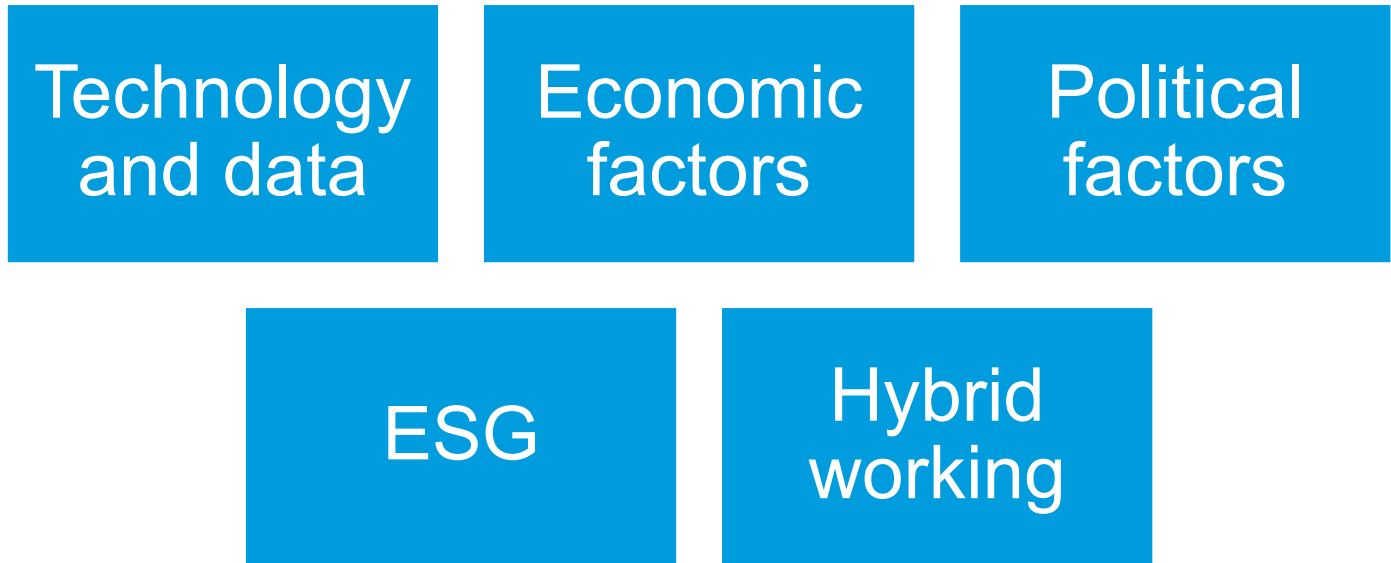
Increasing need  
for alignment  
between IP  
ownership and  
related functions



Continued change in international tax law

# How should multinationals structure their intellectual property ownership?

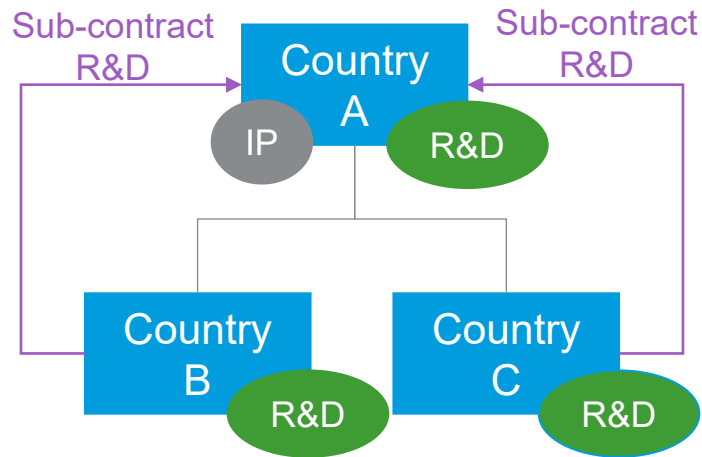
Increasing need to continually reassess and restructure supply chains and business operating models



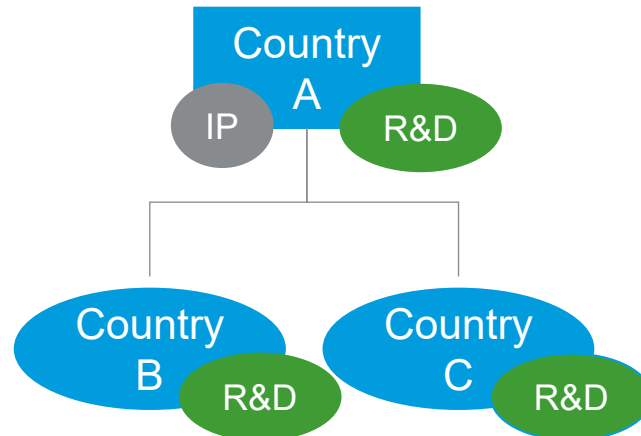
Continued change in business environment

# What do future IP ownership structures look like?

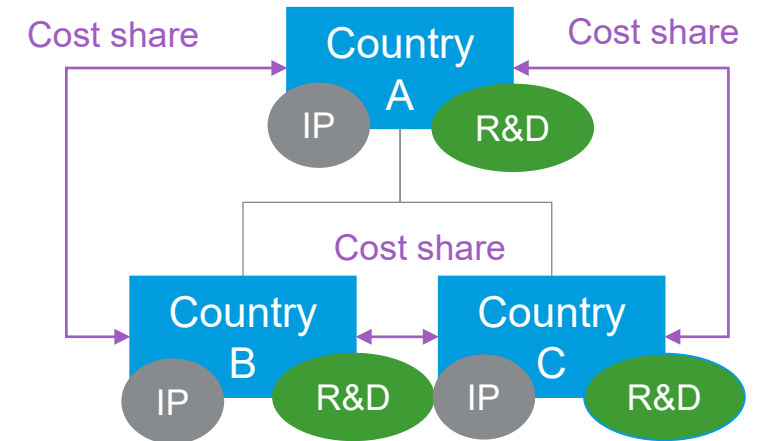
## Centralised ownership



## Mixed ownership



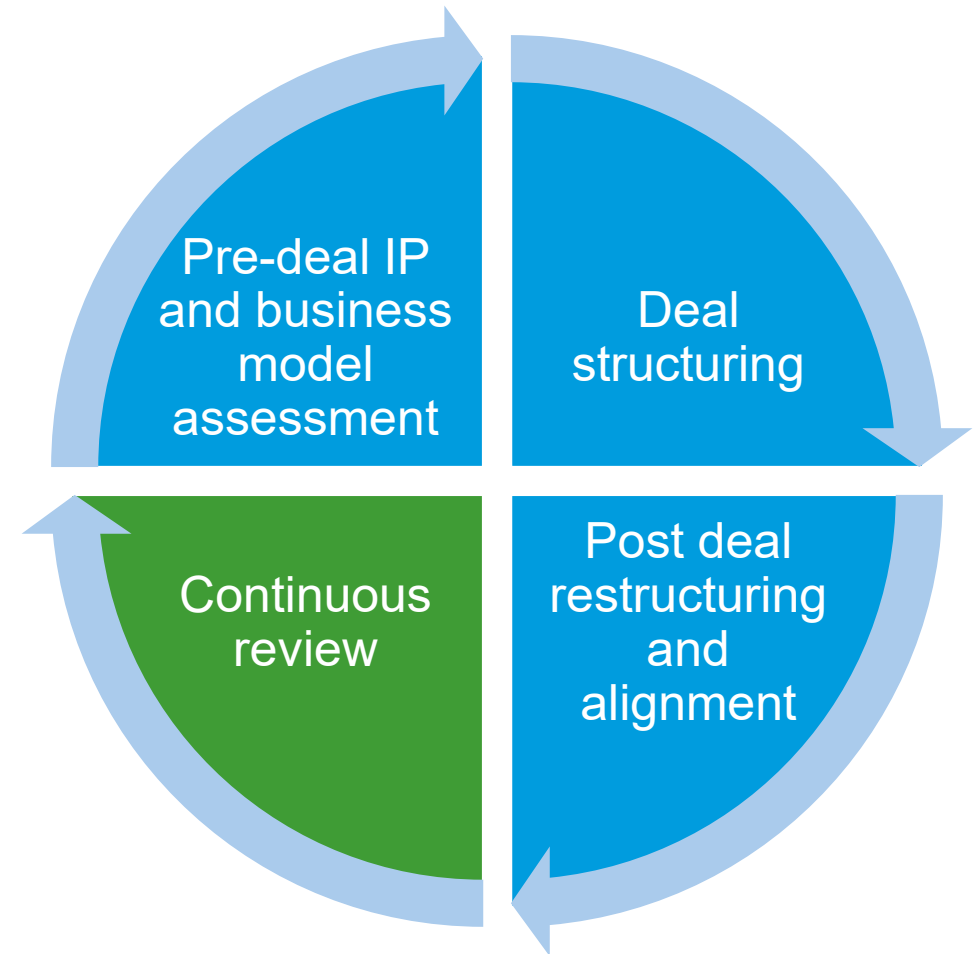
## De-centralised ownership



Multinational IP ownership structures cannot be designed in isolation. It also needs to be aligned with and form part of a broader business model design. One that is 'sustainable and flexible'!

## What does this mean from a deals perspective?

It is important to get in early with the right specialists, to minimise risk and maximise opportunities.





**What should you know about UK  
governance rules when buying or  
owning a UK business?**

**04**

# Investing in UK: Tax governance requirements for all

Criminal corporate offence of failing to prevent the facilitation of tax evasion (Criminal Finances Act 2017)

- No *de minimis* AND Applies to all incorporated taxpayers
- Your business is criminally liable where it **fails to prevent**
  - those who act on it's behalf from **criminally facilitating**
  - the **tax evasion** of third parties
- This criminal offence hinges upon the tax affairs of a third party
- More about behaviour change.... no cases have gone to court yet
- Hot topic for investors
- Criminal proceedings, unlimited fines, reputational damage, whistle blowers
- No one wants to be the first case to go to court

# CCO



# CCO: Failure to prevent facilitation of tax evasion

Only defence is that the business has **reasonable prevention procedures**:



## Her Majesty's Revenue and Customs (HMRC) relationship with “large business”

Aggregated turnover greater than £200 million, or  
balance sheet total greater than £2 billion

- **Senior accounting officer**
  - Only U.K. incorporated companies
  - Annual filing
  - Main duty: to establish and maintain appropriate tax accounting arrangements
  - Personal penalties
- **Publish a UK tax strategy**
  - Applies to U.K. groups, sub-groups, companies and partnerships
  - Published online annually
- **HMRC Business Risk Review (“BRR+”)**
- **Notify HMRC where uncertain tax treatment adopted**
  - Applies to U.K. companies, partnerships and overseas companies with a U.K. permanent establishment
  - Only reportable if tax advantage exceeds a £5 million threshold and NOT already discussed with relevant HMRC officer

# Q&A

# Thank you

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