Spotlight on the International Tax Committee

Briefings

Technical Spotlight: International Tax Committee
23 August 2023

The remit of the International Tax Committee is UK direct taxes and, in particular, UK corporation tax, as they apply cross border to multinational enterprises (MNEs), as well as international tax obligations on companies resident in the UK.

David Murray, who is Head of Tax Policy and Sustainability at Anglo American, chairs the committee. Committee members come from accountancy firms and law firms, as well as industry, giving us a broad spectrum of input. Further details can be found at: www.tax.org.uk/our_tcs.

It is an interesting time, with international tax high on the political agenda. While the political momentum has driven change, it has also meant that some of the changes are being implemented at pace, exacerbating the huge administrative and compliance challenges for many tax authorities, as well as for taxpayers.

Much of the committee's focus has been seeking to ensure there is as much certainty and clarity as possible in the new rules – in accordance with the CIOT's objectives for the tax system.

In recent years, the work flowing from the OECD/G20's Base Erosion and Profit Shifting (BEPS) Project (now the BEPS Inclusive Framework) has been on the two-pillar solution, addressing the challenges arising from the digitalisation of the economy and agreed in 2021. The two-pillar solution aims to ensure that MNEs pay a fair share of tax wherever they operate and generate profits.

Pillar Two (the Global Anti-Base Erosion (GloBE) Rules) is being implemented in the UK, as the Multinational Top-up Tax and Domestic Top-up Tax (Finance Act 2023). The OECD/G20 Inclusive Framework continues to develop some elements relating to Pillar Two, as well as the multilateral convention that will be required to deliver Amount A of Pillar One and allow jurisdictions to reallocate and exercise a domestic taxing right over a portion of MNE residual profits.

Another area of focus has been profit diversion from the UK, which is tackled in a variety of ways, including through the Profit Diversion Compliance Facility. New requirements for transfer pricing documentation were consulted on during 2021 and 2022, and have been introduced with effect for accounting periods beginning on or after 1 April 2023. At the time of writing, we are responding to the consultation on reform of UK law in relation to transfer pricing, permanent establishment and diverted profits tax.

We welcome the consultation's overarching theme of aligning the UK's domestic legislation with equivalent international OECD standards to ensure consistency of application. We hope that the updated rules will provide greater certainty, assist in the settlement of mutual agreement procedures (MAP) and enhance the attractiveness of the UK. We also feed into HMRC's annual review of the priorities for the UK's network of double taxation agreements (DTAs).

Our responses and submission to the UK government and the OECD can be found on the usual technical pages of our website: tax.org.uk/submissions/1

Sacha Dalton

sdalton@ciot.org.uk