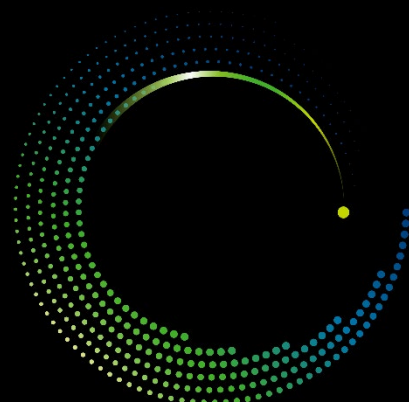


International Tax United Kingdom Highlights 2023

Updated January 2023



Recent developments

For the latest tax developments relating to the UK, see [Deloitte tax@hand](#).

Investment basics

Currency: Pound Sterling (GBP)

Foreign exchange control: There are no foreign exchange controls.

Accounting principles/financial statements: UK GAAP/IAS. Financial statements must be filed annually.

Principal business entities: These are the private and public limited liability company, partnership, limited liability partnership, limited partnership, real estate investment trust (REIT), and branch of a foreign corporation.

Corporate taxation

Rates	
Corporate income tax rate	19% (to 31 March 2023); 19%/25% (as from 1 April 2023)
Corporate income tax rate: branches	19% (to 31 March 2023); 19%/25% (as from 1 April 2023)
Corporate income tax rate: chargeable gains	0%/19% (to 31 March 2023); 0%/19%/25% (as from 1 April 2023)

Residence: A company is UK resident if it is incorporated in the UK or its place of central management and control is in the UK.

Basis: A UK resident company is subject to corporate income tax (corporation tax) on worldwide profits and gains (see “Taxable income,” below), with credit granted for foreign taxes paid. Foreign profits and losses (including those from certain capital assets) arising from a permanent establishment (PE) of a UK resident company may be excluded by making an irrevocable election. The effect of the election may be deferred where the PE has incurred a loss. Anti-diversion rules based on the controlled foreign company (CFC) rules (see “Controlled foreign companies,” below) may restrict the profits that can be excluded from the charge to UK tax by virtue of the election.

A nonresident company is subject to corporation tax (at 19%, or 25% as from 1 April 2023) and/or UK income tax (at 20%) only in respect of UK-source profits, which include the income of a UK PE of the nonresident, certain income and gains

from UK real estate-related assets, certain UK-source interest income and royalties, and gains on assets used for the purposes of a PE's trade. Branches broadly are taxed in the same way as subsidiaries.

Taxable income: For a UK resident company, corporation tax is imposed on trading income, several baskets of nontrading income, and capital gains. Normal business expenses may be deducted in computing taxable income, provided these are not capital expenditure. No deduction is available for the depreciation or amortization of land, buildings, or other tangible fixed assets. Instead, tax relief is obtained for qualifying capital expenditure on plant and machinery (including certain integral features in buildings) via an annual writing down allowance of 6% ("special rate") or 18% ("main rate") on a reducing balance basis, depending on the type of asset.

From 1 April 2021 through 31 March 2023, 130% in-year relief is available for capital expenditure incurred by companies on new main rate plant and machinery, subject to certain exclusions. During the same period, 50% first year allowances are available for capital expenditure incurred by companies on special rate assets, subject to similar exclusions.

Full relief is available for the first GBP 1 million of qualifying expenditure (excluding expenditure on cars) incurred per annum per business/group of companies.

In-year relief is available for 100% of capital expenditure incurred by companies on new plant and machinery for use primarily in a Freeport tax site, subject to certain exclusions. The relief applies to expenditure incurred between the date that the relevant Freeport tax site is designated and 30 September 2026. As at January 2023, tax sites have been formally designated in all eight Freeports in England. Additional sites are planned for Scotland and Wales.

For construction works, structures and buildings tax allowances are available for capital expenditure on certain nonresidential structures and buildings, on a straight-line basis at a rate of 3% per annum. A structures and buildings allowance rate of 10% per annum is available for capital expenditure on certain nonresidential structures and buildings located in a Freeport tax site and incurred between the date that the relevant Freeport tax site is designated and 30 September 2026.

There is a limit on deductions that can be taken for financing costs (see "Interest deduction limitations" under "Anti-avoidance rules," below).

Rate: The main rate of corporation tax through 31 March 2023 is 19%. As from 1 April 2023, the main rate of corporation tax rises to 25% for companies with profits over GBP 250,000. A "small profits" rate of 19% applies from this date to companies with profits of GBP 50,000 or less, and companies whose profits exceed GBP 50,000 but do not exceed GBP 250,000 are subject to tax at the main rate of 25% reduced by a marginal relief. The GBP 50,000 and GBP 250,000 thresholds are also reduced proportionally for accounting periods of less than 12 months, and for associated companies.

An additional surcharge of 8% applies through 31 March 2023 to the profits of banking companies/groups in excess of GBP 25 million. As from 1 April 2023, the surcharge applies at 3% to profits of banking companies/groups in excess of GBP 100 million.

The main rate does not apply to "ring fence" profits from oil rights and extraction activities. The main rate of corporation tax for ring fence companies is 30% (with a 19% small profits rate), together with a supplementary charge of 10%. An energy profits levy of 35% also applies to relevant profits arising on or after 1 January 2023 (25% for profits between 26 May 2022 and 31 December 2022). Qualifying investment expenditure is eligible for enhanced deductions under investment allowances.

An electricity generator levy is expected to be enacted in early 2023 with retroactive effect as from 1 January 2023 through 31 March 2028. The levy is anticipated to apply at a rate of 45% on the "exceptional generation receipts" (as

defined) of low-carbon wholesale electricity generators whose in-scope output exceeds 50 gigawatt hours annually, subject to a groupwide GBP 10 million annual allowance.

A diverted profits tax, at a rate of 25% (31% as from 1 April 2023), applies where multinational companies use artificial arrangements to divert profits overseas to avoid UK tax.

A residential property developer tax applies at 4% to the UK residential property development profits of groups in excess of a GBP 25 million groupwide annual allowance.

Surtax: There is no general surtax, but additional taxes may apply to certain activities (see “Rate,” above).

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: A dividend exemption applies to most dividends and distributions unless received by a bank, an insurance company, or other financial trader. Dividends received by a UK company (other than a small company) on most ordinary shares, and many dividends on nonordinary shares from another company (UK or foreign) are exempt from UK corporation tax, with no minimum ownership period or shareholding requirement. The exemption also can apply to small companies receiving dividends and distributions from UK companies or foreign companies resident in a jurisdiction that has concluded a tax treaty with the UK that includes a nondiscrimination provision.

Capital gains: Capital gains form part of a company's taxable profits. Gains or losses on the disposal of substantial shareholdings in both UK and foreign companies can be exempt. The main conditions, broadly, require the selling company to have owned at least 10% of the shares of the company being sold for a continuous period of at least 12 months in the six years before disposal, and the company being sold must be trading or the holding company of a trading group (without, to a substantial extent, any nontrading activities) for at least 12 months before the disposal (longer in some cases). In certain circumstances, the company being sold also must be either trading or the holding company of a trading group immediately after the disposal. There is a broader exemption for certain companies held by “qualifying institutional investors.”

A nonresident company generally is not subject to tax on its capital gains unless (i) the asset is held through a UK PE or (ii) UK land/property or a UK real estate-related asset is disposed of (see below). Where an election has been made to exclude the profits of PEs of a UK company (see “Basis,” above), the exclusion also may apply to gains and losses of certain capital assets of the PE.

Gains from the disposal of UK real estate (and certain UK real estate-related investment assets) by nonresident companies also are subject to UK corporation tax.

Losses: Trading losses generally can offset total profits of the year (including capital gains) and any excess may be carried back to the preceding year.

Trading losses arising after 1 April 2017 generally may be carried forward indefinitely and offset against any profits, or group relieved. Trading losses arising before 1 April 2017 may be carried forward indefinitely and offset against future trading profits only.

In both cases, the use of carried forward losses is restricted to 50% of profits above a groupwide GBP 5 million allowance per year. If there is a change of ownership of the company and a major change in the nature and conduct of the trade within specified time limits, trading losses may be lost.

Similar reliefs and restrictions apply to nontrading (income) losses.

Capital losses may be offset only against capital gains. Capital losses not offset against capital gains of the same year may be carried forward to set against capital gains of future years, but the use of carried forward capital losses is restricted to 50% of gains above a groupwide GBP 5 million allowance per year. The GBP 5 million allowance is shared between capital and other losses (see above).

Foreign tax relief: A UK resident company is subject to corporation tax on its worldwide profits (including capital gains), with credit given for most foreign taxes paid.

A UK company may elect to exempt the profits and losses of foreign PEs from UK corporation tax, provided certain conditions are satisfied (see “Basis,” above). No credit is available where such profits are excluded from UK taxation.

Participation exemption: Most dividends, including foreign dividends, are exempt (see “Taxation of dividends,” above). In addition, capital gains on the disposal of substantial (generally 10% or more) shareholdings in certain companies are not subject to corporation tax (see “Capital gains,” above).

Holding company regime: See “Participation exemption,” above. In addition, a modified tax regime is available to asset holding companies that meet certain conditions. One of these conditions is, broadly, that the company is at least 70% owned by diversely held funds or certain institutional investors.

Incentives: An enhanced tax deduction of 230% (186% for expenditure incurred on or after 1 April 2023) is available for certain research and development (R&D) expenditure for small or medium-sized companies. Large companies may claim an “above the line” R&D credit at a rate of 13% (20% for expenditure incurred on or after 1 April 2023).

A patent box regime allows companies to elect to apply a corporation tax rate of 10% to all profits attributable to qualifying patents.

There are creative industry tax reliefs of up to an additional 100% deduction for qualifying expenditure on film production, animation, video gaming, high-end television broadcasts (including children’s television programs), orchestral concerts, and theatrical productions.

In addition to the enhanced reliefs for capital expenditure (see “Taxable income,” above), businesses operating within designated Freeport tax and customs sites may benefit from additional tax reliefs, including reliefs from stamp duty land tax (SDLT) and business rates, and simplified customs arrangements.

Compliance for corporations

Tax year: A corporation tax return is prepared in respect of an accounting period, which typically is the period for which the accounts are prepared or 12 months, if shorter.

Consolidated returns: All companies file separate tax returns. However, income losses may be “group relieved” between UK group companies (broadly, where one is a 75% subsidiary of another, or both are 75% subsidiaries of the same corporate parent in terms of share ownership, rights to income, and rights on a winding up, taking account of both direct and indirect holdings). Other group rules apply to capital gains allowing, for example, the intragroup transfer of assets that may otherwise give rise to a chargeable gain or capital loss at no gain/no loss for tax purposes, or the transfer of gains/losses between group members.

Filing and payment: The UK operates a self-assessment regime. The tax return must be filed within 12 months of the period end. Electronic filing is mandatory for all company tax returns. “Large companies” (broadly those with annual profits exceeding GBP 1.5 million, reduced for the number of associated companies) pay tax in quarterly installments starting in month seven of their accounting period. “Very large companies” with annual profits exceeding GBP 20 million

(reduced based on the number of associated companies) pay tax in quarterly installments starting in month three of the accounting period.

Penalties: Companies are liable to a fixed penalty of GBP 100 for failure to file a tax return by the due date, plus an additional GBP 100 if the return is not submitted within three months of the due date. Further penalties may apply to returns filed at least six months late. Tax-gear penalties may be sought for matters such as tax returns that are carelessly or deliberately incorrect. Interest is charged on late paid tax.

Rulings: UK tax legislation includes a number of anti-avoidance provisions and, for some, advance statutory clearance may be sought. Also, under a nonstatutory clearance procedure, the UK tax authorities' view of the tax consequences of specific transactions may be requested, on a named basis, with full disclosure, where there is both commercial significance and material uncertainty.

Individual taxation

Rates: 2022/23 (6 April 2022–5 April 2023)		
Individual income tax rate (Non-savings, non-dividend income: England, Northern Ireland, and Wales; savings income: UK-wide)	Taxable income (GBP)⁽¹⁾	Rate
Basic rate	Up to 37,700	20%
Higher rate	37,701–150,000	40%
Additional rate	Over 150,000	45%
Individual income tax rate (Dividend income: UK-wide)		
Basic rate	Up to 37,700	8.75%
Higher rate	37,701–150,000	33.75%
Additional rate	Over 150,000	39.35%
Individual income tax rate (Non-savings, non-dividend income: Scotland)		
Starter rate	Up to 2,162	19%
Scottish basic rate	2,163–13,118	20%
Intermediate rate	13,119–31,092	21%
Higher rate	31,093–150,000	41%
Top rate	Over 150,000	46%
Capital gains tax rate (UK-wide)		10%/20% (plus 8% surcharge on certain gains)

Rates: 2023/24 (6 April 2023–5 April 2024)⁽²⁾		
Individual income tax rate (Non-savings, non-dividend income: England, Northern Ireland, and Wales; savings income: UK-wide)	Taxable income (GBP)⁽¹⁾	Rate
Basic rate	Up to 37,700	20%
Higher rate	37,701–125,140	40%
Additional rate	Over 125,140	45%
Individual income tax rate		

(Dividend income: UK-wide)		
Basic rate	Up to 37,700	8.75%
Higher rate	37,701–125,140	33.75%
Additional rate	Over 125,140	39.35%
Individual income tax rate		
(Non-savings, non-dividend income: Scotland)		
Starter rate	Up to 2,162	19%
Scottish basic rate	2,163–13,118	20%
Intermediate rate	13,119–31,092	21%
Higher rate	31,093–125,140	42%
Top rate	Over 125,140	47%
Capital gains tax rate		10%/20% (plus 8% surcharge on certain gains)
(UK-wide)		

⁽¹⁾ UK resident individuals (and certain non-UK resident individuals) also may be given a personal allowance deduction from total pre-tax income. Other allowances also may be available. See “Deductions and allowances,” below.

⁽²⁾ The individual income tax rates and bands for England and Northern Ireland for 2023/24 were announced in the UK autumn budget on 17 November 2022, but the legislation to give effect to some of these changes has not yet been enacted as at January 2023. The individual income tax rates and bands for Scotland and Wales for 2023/24 were announced in the Scottish budget on 15 December 2022 and the draft Welsh budget on 13 December 2022, respectively, but the legislation to give them effect has not been enacted as at January 2023.

Residence: A statutory residence test applies that is based on a combination of physical presence and connection factors with the UK and other jurisdictions.

Domicile is a concept distinct from residence. An individual's domicile status may be determined by the domicile of the individual's parents or can be acquired by choice. UK resident but non-UK domiciled taxpayers can enjoy favorable tax treatment in respect of income and assets outside the UK. Individuals who have been resident in at least 15 of the preceding 20 tax years are deemed to be UK domiciled for all tax purposes (subject to an exception for inheritance tax for those in their fourth or fifth consecutive tax year of non-UK residence). Individuals who were born in the UK, have UK domicile at birth, and are UK resident also are deemed UK domiciled for all tax purposes (subject to a short grace period for inheritance tax purposes) even if they have been resident outside the UK and acquired a domicile of choice overseas in the interim.

Basis: Individuals who are resident and domiciled in the UK are subject to UK tax on their worldwide income and gains. Different treatment may apply where a person is UK resident but not UK domiciled.

Taxable income: Individuals who are UK resident under the statutory residence test and domiciled in the UK are subject to UK tax on their worldwide income. Residents who are not domiciled or deemed domiciled in the UK may make a claim for the remittance basis of taxation to apply to foreign income, in exchange for an additional tax liability of GBP 30,000 per annum for taxpayers who have been UK resident for seven out of the previous nine tax years, rising to GBP 60,000 once resident for 12 out of the previous 14 tax years. The remittance basis also may apply without the requirement to make a claim, if (broadly) the unremitted foreign income and foreign capital gains are less than GBP 2,000 or if certain other conditions are fulfilled.

Rates: Income tax is charged at progressive rates as shown in the tables above.

Scottish rates of income tax apply to the non-savings, non-dividend income of Scottish residents. Scottish residents are UK resident individuals with a close connection to Scotland, typically based on the location of their only or main home. UK-wide rates and bands apply to savings and dividend income of Scottish residents.

Similarly, certain devolved income tax rates apply to the non-savings, non-dividend income of Welsh residents, although these currently are aligned to UK-wide rates.

The rate of capital gains tax is determined by the total of capital gains and income. Capital gains tax is payable at a rate of 20% where an individual is liable to pay income tax at the higher or additional rate, or the dividend upper or additional rate. For 2022/23 and 2023/24, where taxable income does not exceed GBP 37,700, the rate of capital gains tax is 10%, except to the extent that the total income and gains would exceed the GBP 37,700 limit, in which case the excess is taxed at 20%. An 8% surcharge, giving a rate of 18% or 28%, applies for gains on residential property and carried interest.

Business asset disposal relief (BADR) reduces the rate of capital gains tax to 10% for certain business assets, subject to a lifetime limit of GBP 1 million of gains per individual. Investors' relief also can reduce the rate of capital gains tax to 10% on a lifetime limit of GBP 10 million of gains per individual. This is separate from BADR and applies only to certain unlisted shares in trading companies that are held for at least three years.

Capital gains: Individuals who are domiciled and resident in the UK are subject to capital gains tax on all chargeable assets, regardless of where the assets are situated. Similar to the rules for foreign income, an individual who is not domiciled or deemed domiciled in the UK may make a claim for the remittance basis of taxation to apply to any capital gains on non-UK assets (see "Taxable income," above).

The gains from the disposal of UK real estate and certain UK real estate-related investment assets held by nonresident individuals also are subject to UK capital gains tax.

An annual exemption (GBP 12,300 for 2022/23 and GBP 6,000 for 2023/24) is available to reduce capital gains, except in tax years where a claim for the remittance basis is made. Where individuals who leave the UK to become nonresident realize gains on non-UK real estate-related assets in a tax year after their departure, such gains normally are not chargeable to UK capital gains tax, unless the individuals are absent from the UK for five years or less and they acquired the asset before they left.

Deductions and allowances: UK resident individuals (and certain non-UK resident individuals) are given a personal allowance deduction from total pre-tax income (GBP 12,570 for 2022/23 and 2023/24). The personal allowance for income tax is gradually reduced to nil for all individuals with "adjusted net income" above GBP 100,000, by reducing the allowance by GBP 1 for each GBP 2 of income (less deductions) in excess of GBP 100,000.

The first GBP 2,000 of dividend income for 2022/23 (GBP 1,000 for 2023/24) is taxable at 0% (the "dividend allowance").

The "personal savings allowance" provides a 0% tax rate on "savings income." For 2022/23 and 2023/24, the allowance is GBP 1,000 for basic rate taxpayers, GBP 500 for higher rate taxpayers, and nil for additional rate taxpayers.

Subject to some exceptions, allowances of GBP 1,000 for both property income and trading income are available to all individuals for 2022/23 and 2023/24. Where individuals receive gross property income or gross trading income not exceeding these allowances, the income will not be subject to income tax. Where gross receipts are in excess of these amounts, the recipient can choose to take the GBP 1,000 allowance as a deduction against their gross income instead of deducting actual expenses to arrive at their taxable income.

Foreign tax relief: If the same income or gain is subject to tax both in the UK and a foreign jurisdiction, UK resident individuals may, subject to conditions, receive relief from UK tax in respect of foreign tax suffered. The amount of foreign

tax credit is normally restricted to the lower of the amount allowed under the relevant double tax treaty and the UK tax otherwise payable on the income.

Compliance for individuals

Tax year: The tax year is 6 April to the following 5 April (i.e., the 2023/24 tax year runs from 6 April 2023 through 5 April 2024).

Filing status: Individuals file tax returns separately, irrespective of marital status.

Filing and payment: Tax on employment income is withheld by the employer under the Pay As You Earn (PAYE) system and remitted to the tax authorities. Tax on income not subject to PAYE and capital gains tax is self-assessed. If an individual is required to file a tax return, it must be filed online by 31 January after the tax year, or the previous 31 October, if opting to file a hardcopy return. Payment of tax is due by 31 January after the tax year. Payments on account of tax may be required on 31 January during the tax year and 31 July in the following tax year.

Non-UK residents who dispose of UK real estate or certain UK real estate-related investment assets are required to file standalone capital gains tax returns within 60 days of the date of conveyance. The tax due is payable by the same date.

UK residents are required to file standalone capital gains tax returns within 60 days of the date of conveyance of UK residential property, but not wider UK real estate investments, where a capital gains tax liability arises. The tax due is payable by the same date.

Penalties: Individuals are liable to a penalty of GBP 100 for failure to file a tax return by the due date. The penalties escalate if the return is filed more than three months after the due date. Tax-g geared penalties also may be sought for late payment of tax and tax returns that are carelessly or deliberately incorrect. Interest is charged on tax paid late.

Rulings: UK tax legislation includes a number of anti-avoidance provisions and, for some, advance statutory clearance may be sought. Also, under a nonstatutory clearance procedure, the UK tax authorities' view of the tax consequences of specific transactions may be requested, on a named basis, with full disclosure, where there is both commercial significance and material uncertainty.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%	0%
Interest	0%	0%/20%	0%/20%	0%/20%
Royalties	0%	0%/20%	20%	20%
Fees for technical services	0%	0%	0%	0%

Dividends: There typically is no withholding tax on dividends paid by UK companies under domestic law, although 20% withholding tax generally applies to distributions paid by a REIT from its tax-exempt rental profits, subject to relief under an applicable tax treaty in the case of distributions to a nonresident.

Interest: There is generally no withholding tax requirement in respect of interest payments made to individuals from bank deposits, unit trusts, open-ended investment companies, or peer-to-peer lending. A 20% withholding tax may apply to other sources of interest, subject to relief under an applicable tax treaty in the case of interest paid to a nonresident.

No withholding tax applies to interest paid to a UK resident company.

Interest paid to a nonresident company generally is subject to 20% withholding tax, unless the rate is reduced under an applicable tax treaty or a domestic exemption applies (e.g., to payments of interest other than “yearly interest” or interest on quoted Eurobonds).

A reduction of the withholding tax rate under a tax treaty is not automatic; advance clearance must be granted by the UK tax authorities.

Royalties: No withholding tax applies to royalties paid to a UK resident company. Withholding tax at 20% applies to most types of royalties paid to a UK resident individual, with certain exceptions.

Royalties paid to a nonresident generally are subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty. Advance clearance is not required to apply a reduced rate of withholding tax under a tax treaty.

Fees for technical services: No withholding tax applies to fees for technical services.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: Comprehensive transfer pricing provisions apply to transactions with both domestic and foreign companies. The UK transfer pricing rules follow OECD principles. The rules include a requirement to prepare documentation to demonstrate compliance with the arm’s length standard. Advance pricing agreements are possible in certain situations.

Interest deduction limitations: The arm's length principle applies. There are no safe harbor provisions. Advance thin capitalization agreements are available.

There is a limit on deductions that can be taken for financing costs. These “interest restriction” rules broadly apply where the aggregate tax deductions for net financing costs of UK group companies exceed either 30% of UK tax EBITDA (earnings before interest, taxes, depreciation, and amortization) or, if the taxpayer so elects, the ratio of group net interest expense compared to group accounting EBITDA (capped at 100%). Interest deductions also are subject to further “debt cap” limits broadly based on the net interest expense of the group. There is a de minimis exemption from the interest restriction rules, under which the first GBP 2 million per group of interest expense is allowable. Where certain conditions are satisfied, restricted interest can be carried forward and deducted in future periods if additional capacity arises. Unused interest capacity can be carried forward for five years.

Controlled foreign companies: CFC provisions are applicable where, broadly, a UK company together with its associates has a direct or indirect interest of at least 25% in a nonresident company that is controlled by UK residents (or associates of UK residents). The regime operates on an income stream basis. There is a “gateway” test and a number of provisions that may apply to exempt a company from the rules. Where the CFC rules apply, the relevant profits of the CFC are calculated as though it were UK resident and its UK shareholders taxed accordingly. In addition, an overseas finance company can be fully or partially exempt from a CFC charge on profits derived from certain overseas group financing arrangements. The partial exemption works by taxing 25% of the finance company profits at the main corporate tax rate (resulting in an effective rate of 4.75% based on a main rate of 19%, or as from 1 April 2023, an effective rate of 6.25% based on a main rate of 25%).

Hybrids: The UK has comprehensive hybrid mismatch legislation compatible with the EU anti-tax avoidance directives (ATAD 1 and ATAD 2) and OECD/G20 BEPS action 2. The legislation can deny deductions (or bring receipts into the charge

to tax) in relation to mismatches arising from a wide variety of hybrid entity and hybrid instrument scenarios. The UK regime includes rules to counter imported mismatches.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: Certain tax arrangements that result in a UK tax advantage and fall within prescribed hallmarks must be disclosed to the UK tax authorities by, e.g., a promoter, and the user must note the use of such arrangements on the tax return.

There is also a requirement for large businesses to notify the UK tax authorities when they adopt an “uncertain” tax position (as defined) for VAT, corporation tax, or income tax purposes and where the potential tax advantage exceeds a GBP 5 million threshold.

The UK-EU Trade and Cooperation Agreement requires reporting of certain international arrangements in line with EU mandatory disclosure rules (referred to as DAC 6). Reporting only is required for arrangements that meet the hallmarks under category D of DAC 6 (broadly those that would be reportable under the OECD’s mandatory disclosure rules).

Separately, certain transactions valued at more than GBP 100 million must be reported to the UK tax authorities within six months of the transaction; these include, for example, the issuance of shares or debentures by, or the transfer or permitting the transfer of shares or debentures of, a foreign subsidiary of a UK company. There is a list of excluded transactions that do not need to be reported.

The UK has implemented country-by-country reporting requirements under the OECD/G20 BEPS project that apply to groups with total consolidated revenue of at least EUR 750 million in the previous year. Under the UK rules, a report must be filed with the UK tax authorities within 12 months of the end of the group’s fiscal year.

Exit tax: Where a company ceases to be a tax resident in the UK, there generally is a deemed disposal and reacquisition at market value of all of its assets (other than those that remain within the charge to UK corporation tax via a PE), giving rise to taxable gains/profits. In certain circumstances, it may be possible to pay any exit tax liability in installments.

Where individuals who leave the UK to become nonresident realize gains in a tax year after their departure, such gains normally are not chargeable to UK capital gains tax, unless the individuals are absent from the UK for five years or less, and they acquired the asset before they left.

General anti-avoidance rule: A general anti-abuse rule (GAAR) applies across a wide range of taxes, including corporation tax, income tax, capital gains tax, and SDLT. The legislation gives the UK tax authorities power to apply the GAAR to counteract tax advantages arising from tax arrangements that are abusive.

Other: There are many specific anti-avoidance rules.

Value added tax

Rates	
Standard rate	20%
Reduced rates	0%/5%

Taxable transactions: VAT applies to most sales of goods, the provision of services, and imports.

Rates: The standard VAT rate is 20%, with a reduced rate of 5% for certain items. There also are some specific zero-rated reliefs and exemptions.

Registration: Registration is compulsory for 2022/23 and 2023/24 for businesses whose taxable supplies exceeded GBP 85,000 for the previous 12 months, or where a business expects that its taxable supplies will exceed this threshold within the next 30 days. Voluntary registration is possible for businesses making taxable supplies below this threshold.

Deregistration is possible for 2022/23 and 2023/24 if taxable supplies fall below GBP 83,000. If a business does not have a place of business in the UK, the registration threshold does not apply. The registration date is the earlier of the date the business makes taxable supplies in the UK or the date the business expects it will make taxable supplies in the next 30 days.

Filing and payment: VAT returns generally are due on a quarterly basis (taxable persons are allocated one of three VAT return periods). A taxable person also may be permitted or required to complete returns on a monthly basis.

Penalties and interest may be imposed for failure to file the VAT return by the due date or failure to pay the VAT due.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Earnings-related social security contributions (national insurance contributions, NIC) are payable by employers, employees, and self-employed individuals.

2022/23 tax year (6 April 2022–5 April 2023)

As from 6 November 2022 through 5 April 2023, weekly paid employees pay NIC at a rate of 12% on weekly income between GBP 242 and GBP 967, and 2% on income exceeding this amount; employers pay NIC at a rate of 13.8% on all income in excess of GBP 175 per week. Different rates and thresholds applied before 6 November 2022. Employers are required to withhold and remit NIC together with employee payroll deductions.

For 2022/23, self-employed individuals pay NIC at a rate of 9.73% on annual income between GBP 11,908 and GBP 50,270, and 2.73% on the excess, together with a fixed charge of GBP 3.15 per week.

A number of special annualized NIC rates apply for 2022/23. These include NIC amounts payable by employees and employers in respect of payments to company directors, and NIC amounts payable by employers in respect of certain employee benefits.

2023/24 tax year (6 April 2023–5 April 2024)

Weekly paid employees pay NIC at a rate of 12% on weekly income between GBP 242 and GBP 967, and 2% on income exceeding this amount; employers pay NIC at a rate of 13.8% on all income in excess of GBP 175 per week; and self-employed individuals pay NIC at a rate of 9% on annual income between GBP 12,570 and GBP 50,270, and 2% on the excess, together with a fixed charge of GBP 3.45 per week. Employers are required to withhold and remit NIC together with employee payroll deductions.

Payroll tax: There is no specific payroll tax but employers are required to withhold tax on employees' earnings under PAYE and both employer and employee NIC. Employers also are required to pay the apprenticeship levy. The levy is set at a rate of 0.5% of an employer's annual payroll. Employers receive an annual allowance of GBP 15,000 to offset against payment of the levy.

Capital duty: There is no capital duty.

Real property tax: The national nondomestic rate is payable by occupiers of business premises. Local authorities collect the tax by charging a uniform business rate, which is deductible in computing income subject to corporation tax.

Council tax, also imposed at the local level, applies to the occupation of domestic property.

Transfer tax: See "Stamp duty," below.

Stamp duty: Stamp duty at 0.5% applies on the transfer of UK shares and is payable by the transferee.

SDLT is charged on transfers of real property (residential and nonresidential) in England and Northern Ireland. Land and buildings transaction tax and land transaction tax are charged instead of SDLT on Scottish and Welsh property, respectively.

For residential property, the SDLT rates are between 0% and 12% (increased to 15% for certain property), depending on the value of the property. The rates for nonresidential property are 0% to 5%. A 15% rate applies to purchases of residential property valued at more than GBP 500,000 by companies and certain other vehicles, although relief from the 15% rate is available for some businesses.

In certain circumstances, transfers within a company tax group may be free from stamp duty/SDLT.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: Individuals are subject to inheritance tax, charged on property passing on death, certain gifts made within seven years of death, and some lifetime transfers (e.g., to most trusts). Where due, inheritance tax is payable on assets in excess of GBP 325,000 at a rate of 40% (20% for certain lifetime transfers).

A family home allowance is available for residential property left to descendants. This is added to the GBP 325,000 threshold, meaning the total tax-free allowance for a surviving spouse/civil partner is GBP 1 million for 2022/23 and 2023/24 if no other chargeable gifts or bequests have been made. The allowance is gradually reduced for estates worth more than GBP 2 million.

Transfers between spouses and civil partners during life or upon death generally are exempt from inheritance tax, unless only the donor spouse has a UK domicile.

For individuals who are neither UK domiciled nor deemed to be UK domiciled for tax purposes, only UK property is subject to inheritance tax.

Other

Digital services tax (DST)

DST is a 2% tax on the revenue of large businesses that provide a social media platform, search engine, or online marketplace to UK users. DST applies where a group's global annual revenue derived from in-scope digital services exceeds GBP 500 million, of which more than GBP 25 million is linked to the participation of UK users. A group's first GBP 25 million of revenue derived from UK users is not subject to DST. Payment is due nine months and one day after the end of the accounting period. The UK government has committed to repeal the DST once an appropriate global solution is in place to address the tax challenges arising from digitalization.

Annual tax on enveloped dwellings (ATED)

ATED is an annual tax charge that applies where companies and certain other entities own UK residential property valued at more than GBP 500,000, regardless of the residence of the owning entity. The amount of ATED payable depends on

the property value band in which the property is classified. Relief from ATED is available where, broadly, the property is used for business purposes and is not occupied by a person connected with the entity that owns the property.

Tonnage tax

Shipping companies may elect to pay tonnage tax in lieu of the normal corporation tax.

Tax treaties: The UK has concluded approximately 130 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for the UK on 1 October 2018. For information on the UK's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: HM Revenue & Customs, Revenue Scotland, Welsh Revenue Authority

Contact us:

Lisa Stott

Email: lstott@deloitte.co.uk

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