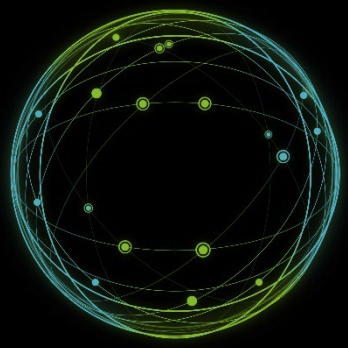
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International Tax

United Kingdom Highlights 2026

Updated January 2026



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 apply. 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	25% (main rate)
Branch tax rate	25% (main rate)
Capital gains tax rate	0%/25% (main rate)

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" under "Anti-avoidance rules," 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 25% 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 are taxed broadly 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). In-year relief is available for 100% of "main rate" and 50% of "special rate" qualifying expenditure on new plant and machinery, depending on the type of asset.

Full in-year relief is also 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. As at January 2026, tax sites have been formally designated in 12 Freeports: eight in England, two in Scotland (also known as "Green Freeports"), and two in Wales. The relief applies to expenditure incurred between the date that the relevant Freeport tax site is designated and 30 September 2031 (for English Freeports) or 30 September 2034 (for Scottish and Welsh Freeports). Where full in-year relief is not obtained under the provisions above, an initial 40% first-year allowance may be obtained on new expenditure on eligible assets, including most plant or machinery for leasing, but excluding second-hand assets, cars, and assets leased overseas. Relief may be obtained on any remaining qualifying expenditure on plant and machinery through annual reducing-balance writing down allowances at 18% per annum for main rate plant and machinery (14% as from 1 April 2026), and 6% per annum for special rate assets.

For construction works, "structures and buildings 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 2031 (in England) or 30 September 2034 (in Scotland and Wales).

The government has committed to designating certain areas as "Investment Zones" with tax sites providing similar tax reliefs as those applicable to Freeport tax sites available through 30 September 2034. As at January 2026, tax sites have been formally designated in England in the East Midlands, Liverpool City Region, North East, and West Midlands Investment Zones, and in Wales, in the Flintshire and Wrexham Investment Zone.

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

Rate

General

The main rate of corporation tax is 25% for companies with profits over GBP 250,000. A "small profits" rate of 19% applies to UK resident companies with profits not exceeding GBP 50,000. UK resident 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 considering the number of associated companies.

An additional surcharge of 3% applies 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 38% also applies to relevant profits.

An electricity generator levy applies at a rate of 45% on the "exceptional generation receipts" (as defined) of certain low-carbon wholesale electricity generators with in-scope output exceeding 50 gigawatt hours annually, subject to a groupwide GBP 10 million annual allowance.

A diverted profits tax (DPT) at a headline rate of 31% applies where multinational companies use artificial arrangements to divert profits overseas to avoid UK tax. As at January 2026, legislation before parliament includes provisions to repeal DPT as a separate tax and replace it with new "unassessed transfer pricing profits" rules within corporation tax, with effect for accounting periods commencing on or after 1 January 2026.

A residential property developer tax applies at 4% to the UK residential property development profits of groups exceeding 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.

Global minimum tax (Pillar Two)

The UK has introduced rules to implement the global anti-base erosion (GloBE) or "Pillar Two" model rules and commentary published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million. An IIR (income inclusion rule, referred to as the "multinational top-up tax" in UK legislation) applies for accounting periods beginning on or after 31 December 2023. The UK has also enacted a domestic minimum top-up tax (referred to as a "domestic top-up tax" in UK legislation and intended to be a qualified domestic top-up tax (QDMTT)), applicable for accounting periods beginning on or after 31 December 2023. With effect for accounting periods beginning on or after 31 December 2024, the multinational top-up tax includes a UTPR (sometimes referred to as the undertaxed profit(s) rule or the undertaxed payments rule). The OECD's Central Record of Legislation with Transitional Qualified Status under the GloBE framework (updated as at 1 December 2025) includes the UK's IIR as a qualified IIR and its domestic minimum top-up tax as a QDMTT that meets QDMTT safe harbor standards, as from 31 December 2023.

Taxation of dividends: A dividend exemption applies to most dividends and distributions unless received by a bank, an insurance company, or another financial trader. Dividends received by a UK company (other than a small company) on most ordinary shares, and many dividends on non-ordinary shares from another company (UK or foreign) are exempt from UK corporation tax, with no minimum ownership period or shareholding requirement. The exemption also may 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 may 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 be the holding company of a trading group (without, to a substantial extent, any non-trading 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 be 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 or property or a UK real estate-related asset is disposed of. 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 on certain capital assets of the PE.

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

Trading losses arising as from 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, subject to conditions, for most foreign taxes paid on the same income or gains. The amount of foreign tax credit generally is restricted to the lower of the amount allowed under the relevant bilateral tax treaty and the UK tax otherwise payable on the income or gains.

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: Companies may claim an “above the line” research and development expenditure credit (RDEC) at a rate of 20% of qualifying research and development (R&D) expenditure. A loss-making company is subject to a notional tax rate of 19%. A separate enhanced R&D intensive support (ERIS) scheme for “R&D intensive” loss-making small and medium-sized enterprises is available instead under certain conditions. Where applicable, the ERIS scheme may result in an additional tax deduction of 86% of qualifying R&D expenditure, or a repayable tax credit of 14.5% of qualifying expenditure.

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

The audio-visual expenditure credit (AVEC) and video games expenditure credit rules allow for “above the line” tax credits in respect of expenditure on qualifying productions in the creative industries. Enhanced rates of AVEC, also known as independent film credit, are available to qualifying independent film productions. These credits replace five previous enhanced deduction schemes for film production, animation, video gaming, and high-end television broadcasts (including children’s television programs), although under transitional rules the former enhanced deduction rules may continue to apply through 31 March 2027 for qualifying productions that commenced before 1 April 2025. Separate enhanced deduction schemes for orchestras, theaters, museums, and galleries are available.

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 property stamp taxes 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 corporation 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, considering both direct and indirect holdings). Other group rules apply to capital gains allowing, for example, the intragroup transfer at no gain/no loss for tax purposes of assets that may otherwise give rise to a chargeable gain or capital loss, or the transfer of gains and losses between group members.

Filing and payment: The UK operates a self-assessment regime. The corporation tax return must be filed within 12 months of the end of the accounting period and electronic filing is mandatory. "Large companies" (broadly those with annual profits exceeding GBP 1.5 million, reduced for the number of associated companies) pay corporation 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 corporation tax in quarterly installments starting in month three of their accounting period. All other companies must pay corporation tax no later than nine months and one day after the end of their accounting period.

Separate filing and payment rules apply to tax compliance obligations relating to the implementation of the Pillar Two rules in the UK (see "Rates: Global minimum tax (Pillar Two)" under "Corporate taxation," above).

Penalties: Companies are liable to a fixed penalty of GBP 100 (GBP 200 for returns due on or after 1 April 2026) for failure to file a corporation tax return by the due date, plus an additional GBP 100 (GBP 200 for returns due on or after 1 April 2026) if the return is not submitted within three months of the due date. Penalty amounts are increased for a third successive failure. Further penalties may apply to returns filed at least six months late. Tax-geared penalties may be sought in certain cases, for example if the return is 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 non-statutory 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. Advance pricing agreements and advance thin capitalization agreements are available in certain situations. As from July 2026, an advance tax certainty service is available for major projects involving new investment in the UK with in-scope expenditure of at least GBP 1 billion over their lifetime.

Individual taxation

Rates: 2025/26 (6 April 2025–5 April 2026)		
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 (Non-savings, non-dividend income: Scotland)		
Starter rate	Up to 2,827	19%
Scottish basic rate	2,828–14,921	20%
Intermediate rate	14,922–31,092	21%
Higher rate	31,093–62,430	42%
Advanced rate	62,431–125,140	45%

Top rate	Over 125,140	48%
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%
Capital gains tax rate (UK-wide)	Basic rate taxpayer	18%
	Higher rate taxpayer	24%
	Carried interest (all taxpayers)	32%

Rates: 2026/27 (6 April 2026–5 April 2027)

Individual income tax rate (Non-savings, non-dividend income: England, Northern Ireland, and Wales; savings income: UK-wide)[2]	**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 (Non-savings, non-dividend income: Scotland)[2]		
Starter rate	Up to 3,967	19%
Scottish basic rate	3,968–16,956	20%
Intermediate rate	16,957–31,092	21%
Higher rate	31,093–62,430	42%
Advanced rate	62,431–125,140	45%
Top rate	Over 125,140	48%
Individual income tax rate (Dividend income: UK-wide)		
Basic rate	Up to 37,700	10.75%
Higher rate	37,701–125,140	35.75%
Additional rate	Over 125,140	39.35%
Capital gains tax rate (UK-wide)	Basic rate taxpayer	18%
	Higher rate taxpayer	24%
	Carried interest (all taxpayers)	N/A[3]

[1] UK resident individuals (and certain non-UK resident individuals) 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 Scotland and Wales for 2026/27 were announced in the Scottish budget and the draft Welsh budget on 13 January 2026 and 14 October 2025, respectively. Legislation to give effect to the Welsh announcements was approved on 27 January 2026, but the legislation to give effect to the Scottish announcements has not been enacted as at January 2026.

[3] As from 6 April 2026, carried interest returns are subject to income tax as deemed trading income. Broadly, an overall effective tax rate of 34.075% applies where the average holding period of the fund investments exceeds 40 months.

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

Basis: Individuals who are resident in the UK are subject to UK tax on their worldwide income and gains; nonresidents are subject to tax only on their UK-source income.

Taxable income: Resident individuals are taxed on their worldwide gross income and gains from all sources, less exempt income and allowable deductions (see "Deductions and allowances," below). A residence-based regime exists for new arrivals

to the UK and applies to individuals' foreign income and gains (FIG). The regime is available to individuals who are in their first four years of UK residence, after at least 10 consecutive years of non-UK residence. Individuals who qualify are able to make a claim to pay no UK tax on FIG arising during that time. The FIG subject to this tax relief must be quantified and disclosed on a tax return. Transitional rules apply to those who were already paying tax under the UK's previous non-domicile tax regime. Nonresidents are taxed on UK-source income and gains on UK real estate and certain UK real estate-related investment assets only and may be entitled to certain deductions (see "Deductions and allowances," below).

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. For the tax years 2025/26 and 2026/27, capital gains tax is payable at a rate of 24% where an individual is liable to pay income tax at the higher or additional rate, or the dividend upper or additional rate (with modified rules for Scottish residents). Where taxable income does not exceed GBP 37,700, the rate of capital gains tax is 18%, except to the extent that the total income and gains exceed the GBP 37,700 limit, in which case the excess is taxed at 24%. Separate rules apply to disposals of carried interest, as shown in the tables above.

Business asset disposal relief (BADR) reduces the rate of capital gains tax to 18% in 2026/27 (14% in 2025/26) for certain business assets, subject to a lifetime limit of GBP 1 million of gains per individual. Investors' relief also may reduce the rate of capital gains tax to 18% in 2026/27 (14% in 2025/26) on a lifetime limit of GBP 1 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 resident in the UK generally are subject to capital gains tax on all chargeable assets, regardless of where the assets are situated. The FIG rules apply to any capital gains of new arrivals 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 3,000 for 2025/26 and 2026/27) is available to reduce capital gains, except in tax years where a claim for taxation under the FIG regime (or previously, the remittance basis) is made. Where individuals who leave the UK to become nonresident realize gains on assets, other than UK real estate or real estate-related investment 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 2025/26 and 2026/27). 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. This allowance is not available to individuals claiming reliefs under the FIG regime.

The first GBP 500 of dividend income for 2025/26 and 2026/27 is taxable at 0% (the "dividend allowance").

The "personal savings allowance" provides a 0% tax rate on "savings income." For 2025/26 and 2026/27, 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 2025/26 and 2026/27. 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 may 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 bilateral 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 2026/27 tax year runs from 6 April 2026 through 5 April 2027).

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. Employers are also required to withhold both employer and employee social security contributions (known as national insurance contributions (NICs)).

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 hard copy 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.

As from the 2026/27 tax year, a new personal tax compliance framework known as “Making Tax Digital for Income Tax” (MTD) is being progressively introduced. The initial phase of MTD applies only to individuals who carry on a business in their own right, subject to certain exemptions. For 2026/27, individuals whose business receipts in the 2024/25 tax year exceeded GBP 50,000 are subject to the regime. In-scope taxpayers must obtain software that is compatible with the UK tax authorities’ systems and use it to maintain digital records, file quarterly reports of income and expenditure, and file the equivalent of a tax return. The deadlines for quarterly reports are the seventh day of the calendar month after each tax year quarter-end. The taxable profits must be finalized by 31 January following the end of the tax year (in line with the tax return filing deadline) as part of the MTD tax return process.

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. A separate points-based penalty system applies to submissions required under MTD. Tax-geared penalties also may be sought for late payment of tax and 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 non-statutory 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%

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

There is generally no withholding tax requirement in respect of interest payments made to resident and nonresident 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. In the case of interest paid to nonresident individuals, the rate may be reduced in accordance with an applicable tax treaty or a domestic exemption may apply (e.g., payments of interest other than "yearly interest," interest on quoted Eurobonds).

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., payments of interest other than "yearly interest," interest on quoted Eurobonds).

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

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 may 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 may be carried forward and deducted in future periods if additional capacity arises. Unused interest capacity may 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 may be fully or partially exempt from a CFC charge on profits derived from certain financing arrangements. Where the partial exemption applies, only 25% of the overseas finance company's profits are taxable under the CFC provisions (which may result in an effective tax rate of 6.25% based on the main UK corporation tax rate of 25%).

Anti-hybrid rules: The UK has comprehensive hybrid mismatch legislation compatible with the EU anti-tax avoidance directives (ATAD I and ATAD II) and OECD/G20 BEPS action 2. The legislation may 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, for example, 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 also requires reporting of certain tax arrangements under mandatory disclosure rules legislation in line with the OECD's model mandatory disclosure rules for common reporting standard avoidance arrangements and opaque offshore structures.

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 (e.g., 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, the Pillar Two rules, and stamp duty land tax (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 are also some specific zero-rated reliefs and exemptions.

Registration: Registration is compulsory for businesses whose taxable supplies exceeded GBP 90,000 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.

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.

Deregistration is possible if taxable supplies fall below GBP 88,000.

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 contributions and payroll taxes: NICs are payable by employers, employees, and self-employed individuals. For both the 2025/26 tax year (6 April 2025 through 5 April 2026) and the 2026/27 tax year (6 April 2026 through 5 April 2027), weekly paid employees pay NICs at a rate of 8% on weekly income between GBP 242 and GBP 967, and 2% on income exceeding this amount; employers pay NICs at a rate of 15% on all income in excess of GBP 96 per week. Employers are required to withhold and remit NICs together with employee payroll deductions.

Self-employed individuals pay NICs at a rate of 6% on annual income between GBP 12,570 and GBP 50,270, and 2% on the excess.

Some 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: National nondomestic rates (commonly known as business rates) are payable by occupiers of business premises. Local authorities collect the tax by charging a uniform business rate, which generally is deductible in computing businesses' profits subject to corporation or income 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 and/or stamp duty reserve tax (SDRT) generally applies at 0.5% 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 (LBTT) and land transaction tax (LTT) are charged instead of SDLT on Scottish and Welsh real property, respectively.

For residential property, the SDLT rates are between 0% and 12% (increased to 17% for certain property), depending on the value of the property. The rates for nonresidential property are 0% to 5%. A 17% rate applies to purchases of residential property valued at more than GBP 500,000 by companies and certain other vehicles, although relief from the 17% rate is available for some businesses. A 2% surcharge may apply to the acquisition of residential properties by a purchaser who is non-UK resident for SDLT purposes.

Different rules, rates, and bands apply for LBTT and LTT purposes.

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

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). Chargeability to inheritance tax on non-UK assets is based on the concept of long-term residence, with long-term UK residents subject to inheritance tax on worldwide assets. This status normally applies where the individual has been resident for at least 10 of the preceding 20 tax years, with special rules for those who have left the UK or spent fewer than 20 years in the UK. Where due, inheritance tax is payable on assets in excess of a nil rate band of GBP 325,000 at a rate of 40% (20% for certain lifetime transfers). When an individual dies subsequent to the death of their spouse or civil partner, additional relief is available in respect of any unused portion of the spouse/civil partner's nil rate band.

A family home allowance is also available for residential property left to descendants. This is added to the GBP 325,000 nil rate band, meaning the total tax-free allowance for a surviving spouse or civil partner may be up to GBP 1 million if no other chargeable gifts or bequests have been made. The family home 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 is a long-term resident.

For transfers made before 6 April 2025, chargeability to inheritance tax on non-UK assets was linked to UK domicile rather than long-term residence. These rules may be relevant where a lifetime gift comes into charge following the donor's death.

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 tax treaties with approximately 140 jurisdictions. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS 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

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