Corporate re-domiciliation: CIOT response to government consultation

International Tax | Large Corporate | Personal tax

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CIOT responds to government consultation on a new corporate re-domiciliation regime, suggesting that such a regime would be helpful for business, but that to be successful it must be straightforward and easy to comply with in practice.

The CIOT has responded to the consultation published by the government on 27 October 2021 on 'Corporate re-domiciliation'. Representatives of the CIOT met with HMT and HMRC to discuss the proposals contained in that consultation document on 7 December 2021, and our comments in our response built on the discussions at that meeting. In particular, we focused on the comments in chapter 5 (Tax) of the consultation document and consideration of the possible tax consequences of the regime. The scope of this consultation goes beyond tax and also discusses other aspects of UK law in relation to companies that we note will also be important.

A re-domiciliation regime would enable a foreign-incorporated company to change its place of incorporation to the UK, while maintaining its legal identity as corporate body. The policy aims of the proposals are to strengthen the UK's position as a global business hub and an open, competitive, free market economy. It is intended that a new regime would give companies maximum continuity over business operations and we welcomed the early stage of consultation on this proposal.

Our response said that a re-domiciliation regime that permits inward and outward re-domiciliation would be helpful for businesses that wish to relocate to the UK, as well as those seeking to relocate abroad, whether in whole or in part. It will make the process more straightforward, provided that there is clarity and certainty around the operation of the rules. However, we also said that for inward re-domiciliation, this regime alone is unlikely to induce businesses to move to the UK. Whilst it may 'tip the balance' by making it more straightforward for them to do so (and indicate

more broadly that the UK is open to attracting business), we suggested that businesses are likely to be coming primarily for other reasons, including a favourable view of other more substantive aspects of the UK's tax system. Therefore, we encouraged the government not to lose focus on seeking ways to make the UK's tax system better overall, saying this is more likely to have a positive impact on the UK's global competitiveness than a re-domiciliation regime alone, particularly for active trading companies and not just holding companies.

We also said that the attractiveness of the regime will rest to a large extent on its perceived simplicity and clarity in practice. In order to deliver a straightforward regime, we said that we would like to see, so far as possible, parity between companies originally incorporated in the UK and those that re-domicile here. We also said that we would like parity between the rules applying in relation to tax migration (by which we mean the way that businesses can currently become tax resident in the UK through existing mechanisms of moving central management and control, subject to relevant double tax treaties) and the new re-domiciliation regime.

Our full response can be read at: www.tax.org.uk/ref870.