Corporation tax powers for Northern Ireland

Technical

01 April 2015

At the autumn statement 2014 it was announced that rate-setting powers for corporation tax would be devolved to Northern Ireland as long as certain issues relating to the finances of the Northern Ireland Executive were resolved. The Stormont House Agreement, signed just before Christmas 2014, paved the way for this and, on 8 January, the Corporation Tax (Northern Ireland) Bill was made available for comment. The Bill was expected to become law before dissolution of parliament on 30 March 2015, although it may be some time before the new rules take effect.

We have written to HMRC setting out some initial concerns about the legislation and making the general point that, given the complexity of the rules and the fact that there has not been the usual level of consultation, there may be issues that will not be resolved before the legislation is enacted. For this reason, we encourage HMRC to keep the legislation under review before and after it comes into force.

In our letter, we point out that the new rules will place a significant compliance burden on some companies. For example, a large company with a presence in NI and in another part of the UK may need to treat its NI trading activity as if it were a separate business from its activities in the rest of the UK, and to apportion its profits accordingly.

We encourage HMRC to consider ways in which this burden could be reduced and suggest that one option may be for companies to be given the option of electing out of the new rules, and so paying corporation tax at the UK rate on all of their profits.

In addition, we draw HMRC’s attention to several potential issues relating to small and medium-sized enterprises, including the SME workforce test which we believe may cause practical issues for businesses. Given the complexity of the rules, we

suggest that HMRC make available a dedicated resource to provide assistance to relevant companies and their advisers on the interpretation and application of the provisions.

Our letter to HMRC can be read here.