Reform of the substantial shareholdings exemption

Large Corporate **OMB**

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The CIOT supports widening the scope of the substantial shareholding exemption (SSE).

Widening the scope of the SSE – ideally to a comprehensive exemption – would increase the UK's competiveness and could also benefit the relief's simplicity and coherence. However, we recognise that, for smaller UK-based trading groups, the inherent complexities within the SSE cause fewer practical difficulties. We say, therefore, that, although there are aspects of the current rules that can be improved, it would be detrimental to this group of taxpayers if the result of the consultation was, for example, a comprehensive exemption shrouded by complex and uncertain anti-avoidance provisions rendering its application uncertain.

Our recommendation to the government is that, if a sensible, simple, comprehensive exemption is not possible, the current regime is reformed, first to eliminate the investor trading requirement and second to expand the investee requirement either to include all businesses or, at least, to extend the definition of qualifying activities to include real estate. These steps would reduce much of the complexity and uncertainty that exist around the availability of the SSE.

Read the full CIOT response on the CIOT website.