Finance Bill 2024-25: International taxes

International Tax | Large Corporate



18 February 2025

The CIOT sent a briefing to Parliamentarians on the clauses in the Finance Bill dealing with international tax.

Clauses 19 to 22 of the Finance Bill 2024-25 make changes to various international tax aspects of the UK tax code.

Clause 19 and Schedule 4 introduce the undertaxed profits rule (UTPR) into our Pillar Two rules, and also make various changes to the multinational top-up tax and the domestic top-tax. The UTPR is the backstop for Pillar Two. We said that we are supportive of its introduction because it serves to keep UK-headed multinational enterprises on the same footing as international investors. However, we also noted that, like digital services taxes, the effect of UTPRs, in particular on US-headed businesses, is one of the considerations in the debate about potential retaliatory measures such as tariffs. Thus, the introduction of the UTPR is not risk free.

We are supportive of the amendments to multinational top-up tax and domestic top-up tax, which generally seek to ensure that the UK's legislation is consistent with the rules, commentary and administrative guidance that have been agreed by the OECD/G20 Inclusive Framework. We said that while there are not many issues or concerns with the changes, there is an open point around the application of the transitional safe harbour anti-arbitrage rules in respect of which clarification would be welcome. The top-up taxes are complicated and burdensome and therefore further clarity around the transitional safe harbours is desirable, as well as progress towards a permanent safe harbour.

Our briefing also noted Pillar One, and suggested that it may be helpful for opposition MPs to press the minister during the debate on Pillar One. They should ask about the UK's plans for its digital services tax both if Pillar One is implemented and also if it is not. A review of the UK's digital services tax is due to take place this year.

Clause 20 repeals the rules on offshore receipts in respect of intangible property. We welcome this, as these rules are no longer necessary.

Clause 21 amends the rules on the application of PAYE in relation to internationally mobile employees, etc. The amendments allow an employer to self-certify the proportion of earnings liable to UK tax where an employee is either non-resident or qualifies for split-year treatment. We welcomed these changes, noting that the CIOT has previously called on HMRC to make such a change.

Finally, we also welcomed the changes to advance pricing agreements to be made by clause 22. These changes, which apply in relation to advance pricing agreements around indirect participation in financing cases, correct a technical gap in the circumstances in which an advance pricing agreement may be entered into.

Shadow ministers raised CIOT points on a number of these measures. Our full briefing on the international tax clauses in the Finance Bill can be found at: www.tax.org.uk/ref1455. A summary of the Public Bill Committee debates can be read at: www.tinyurl.com/25662xd5.

Sacha Dalton *sdalton@tax.org.uk*