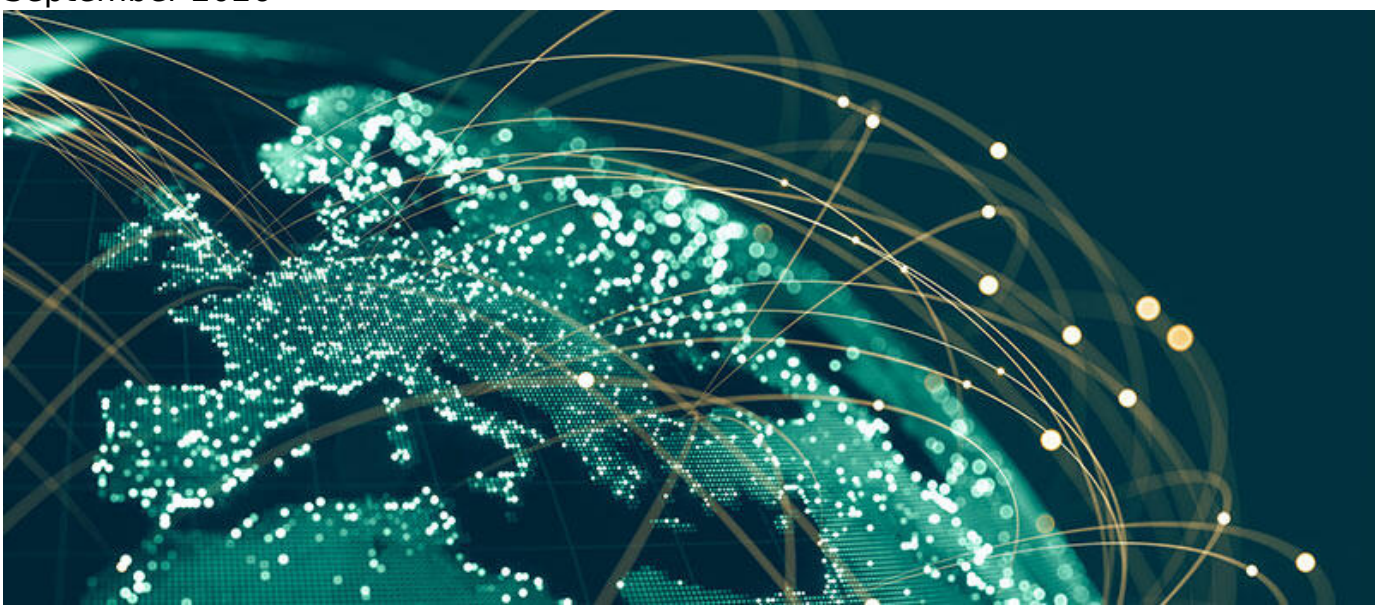
International Controlled Transaction Schedule: CIOT response

International Tax | Large Corporate

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The CIOT has responded to the technical consultation on the draft International Controlled Transaction Schedule, raising concerns that the proposals remain very burdensome and encouraging HMRC to consider how the administrative burden can be reduced.

The technical consultation on the draft International Controlled Transaction Schedule (2026 ICTS) was published in June and builds on previous engagement around transfer pricing documentation. The CIOT welcomed the engagement from HMRC throughout the development of the ICTS, including a constructive meeting with HMRC to discuss the draft regulations and draft ICTS schedule published for consultation.

Our response says that, while we support the policy objectives of the ICTS, the 2026 ICTS remains very burdensome. We recognised and welcomed the changes that

HMRC have made to previous drafts to reduce this burden but, overall, in the balance between better risk analysis, with the benefit of fewer enquiries, and the administrative burden, the scales remain weighted towards the latter for businesses.

At our meeting with HMRC, we discussed whether the administration burden would fall over time, following an initial burden on businesses of putting the processes in place. Our understanding from members is that this will not be the case because the 2026 ICTS is seeking detail that is not usually held in businesses' financial systems, meaning that it would be difficult to automate. The nature and structure of the 2026 ICTS is such that this will not be a simple matter of pressing a button to get the information, and only part of it could be automated, even over time.

Our response also noted that the ICTS will add to an already significant compliance burden for large businesses arising from recent international tax reforms (country-by-country reporting and Pillar 2, for example) and other measures coming in over the next few years, such as e-invoicing for VAT and the standardisation of corporation tax computations. These measures all require extensive data collection, analysis, supporting calculations and documentation to reach appropriate filing positions and represent an enormous administrative burden on in-house tax teams. We suggested a change in approach to consider the overall reporting burden on businesses and thereby better achieve the government's overall objective of reducing regulation for businesses to encourage growth.

We said that the proposed ICTS requirements go beyond internationally agreed OECD requirements at a time when other countries are looking to reduce their compliance burden, and that this may have an impact on the UK's overall global competitiveness. In this regard, we expressed disappointment that, while there is a proposed exclusion for matters covered by an Advance Pricing Agreement, transactions that have been confirmed as low risk under the International Compliance Assurance Programme (ICAP) are not exempt.

Our response said that the level of detail that would be required by the 2026 ICTS is equivalent to that which a business would expect to provide as part of an enquiry. We suggested that this goes beyond what is required for the first step of risk assessment. While more efficient and fewer enquiries into transfer pricing would be a welcome benefit to businesses, it has not been proven that this will arise from the ICTS. While it is possible to understand how the ICTS could reduce inefficiencies from HMRC's perspective, there is a sense that this measure pushes the work onto

businesses, which will have to provide all the information that would be required for an enquiry. We also noted that the compliance burden falls as much on low-risk businesses as on those posing a higher risk to the UK tax base, and that additional burdens such as the ICTS, regardless of risk, lessen the value of the business risk review+ (BRR+) and reduce trust in the BRR+ process.

We welcomed the introduction of thresholds as a simplification. However, while noting that these will take some smaller businesses out of scope, we said that for most large businesses the thresholds are too low to reduce the level of reporting that will be required of them. We also suggested that the proposed thresholds form part of the framework and scope of the new ICTS requirement and, as such, should be set out within the regulations rather than in the HMRC notice.

Our response also discussed the lack of a more thorough impact assessment for the introduction of such a significant new compliance measure, noting the apparent fundamental misunderstanding around ‘readily available information’ and the extent to which the information is indeed ‘readily available’, and, even if it is, the ease with which it can be incorporated into an ICTS. We said that the lack of credible data around the costs of implementation for businesses may mask the potential impacts of the policy on them and raises questions as to how it can be properly evaluated in due course.

Our full response can be found here.

Sacha Dalton sdalton@ciot.org.uk