



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Sir Roger Gale MP and Albert Owen MP
Chairs of the Finance Bill Committee
House of Commons
London
SW1A 0AA

10⁶⁰ January 2018

Dear Sir Roger and Albert

Finance Bill: Government amendments

I am writing to inform you of further proposed government amendments to the current Finance Bill.

Amendments 46 and 47 to Clause 24, Schedule 8, Corporate Interest Restriction

Finance (No. 2) Act 2017 introduced the new Corporate Interest Restriction rules. These rules aim to prevent businesses from reducing their taxable profits by using a disproportionate amount of interest expense in the UK. Clause 24 of this Finance Bill amends those rules to limit the amount of interest expense and other financing costs that a corporate group can deduct against its taxable profits.

Amendments 46 and 47 seek to correct a technical omission in the original drafting at paragraph 13 to Schedule 8. That paragraph makes changes to section 475 of the Corporate Interest Restriction rules so that subsidiaries that are 'held for sale' are treated as non-consolidated subsidiaries for the purposes of the interest restriction rules, in line with their presentation in the group's accounts.

It has come to the Government's attention that subsidiaries that are 'held for distribution to owners' are in an equivalent position and should therefore also be covered in the changes made by paragraph 13. The amendments add this category of subsidiary into the legislation, to ensure the corporate interest restriction rules operate as intended and to neutralise taxpayer uncertainty on this issue.

I am copying this letter to other members of the Public Bill Committee, and depositing a copy of this letter in the Library of the House. The Explanatory Notes for the amendments and the TIINs and notes on resolutions for the clauses that they relate to are also available on the Finance Bill gov.uk webpage.



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