



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

Richard Fuller
House of Commons
London
SW1A 0AA

27th April 2023

Dear Richard,

Thank you for your participation in the Committee of the Whole House debate on Tuesday 18th – I really am grateful for colleagues' examination of Pillar 2 in the House and the chance to respond to these concerns.

You raised a question about whether the Pillar 2 agreements would prevent the UK from introducing a one-off reduced level of 'repatriation tax', as the US did in 2017, to incentivise UK headed groups with overseas subsidiaries to bring profits made overseas into the UK.

I would like to reassure you that while countries can introduce such a measure under Pillar 2, this is not something the UK needs to consider because UK-headed groups are already able to bring the profits of their overseas subsidiaries into the UK without a tax charge.

In contrast to how the US corporate tax regime operated in the past, the UK has a territorial tax system under which profit from foreign subsidiaries of UK companies is not generally taxed in the UK upon realisation or repatriation. The UK's dividend exemption ensures that dividend receipts from shareholdings in overseas companies are not subject to UK corporation tax in the absence of very unusual circumstances, mostly associated with avoidance.

This means that the question of reducing UK tax on repatriations of cash does not arise.

Thank you again for raising this question. A copy of this letter will be deposited in the Libraries of the House.

Yours ever,
Victoria

VICTORIA ATKINS MP