

Nicola Rass
HM Revenue & Customs
Room 3C03
100 Parliament Street
London SW1A 2BQ

20 April 2010

Dear Ms Rass

HMRC Consultation Paper - Changes to the tax rules on the deduction of Income Tax at source

I refer to the above consultation paper and have pleasure on behalf of ILAG in submitting this response.

ILAG is a trade body representing members from the Life Assurance and Wealth Management industries. ILAG members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.

Whilst we have no comment to make on the generality of the consultation, we wish to take the opportunity to comment on a related item not mentioned in it, which is the issue of double taxation relief for inter-company loan interest and inter-company royalties made from UK sources to non residents.

The current system requires non-resident receiving companies to apply for relief to HMRC Residency, enclosing a copy of the loan agreement and certification by the non-resident's tax authorities that they are subject to tax in the overseas jurisdiction.

In the case of unconnected non-residents there is a Provisional Treaty Relief scheme allowing a provisional application to HMRC Residency by the UK payer, but this only covers 3 months to enable the non-resident time to make the application. For transactions between connected parties, the issue is also referred to the UK payer's tax office.

It can then take several weeks for the claim to be processed and can often require several chasers, as the applicant can be unaware of the reasons why the claim cannot be processed (such as a missing piece of documentation).

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As it would appear that the granting of relief is more or less automatic, it would appear that this system is unnecessarily bureaucratic creating unnecessary delays for the taxpayer and unnecessary expense for HMRC.

It appears to us that a simpler system could be implemented without loss to the exchequer – the UK payer should obtain a declaration from the non-resident recipient that they are resident in the other country and entitled to treaty relief (like the US system). If necessary there could be a duty on the payer to send the relevant documentation to HMRC within 3 months of making the first payment, copying in the UK payer's tax office in the case of connected parties.

I hope that this comment and suggestion is useful to you.

Yours sincerely

Doug Thow
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