
European Tax Newsalert

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UK announces a further corporate tax rate reduction

In brief

George Osborne, the UK Chancellor of the Exchequer, delivered his Autumn Statement on December 5, 2012. He focused on reducing the budget deficit, restoring stability to the economy and equipping the United Kingdom to compete globally. While there were relatively few new announcements, the overall theme was positive given the difficult economic conditions. The statement also reinforced the government's message that the United Kingdom is 'open for business'.

In more detail

UK as a competitive tax territory for business

The Chancellor reiterated how a competitive tax system could attract investment to the United Kingdom. In addition, he announced that funding for the UK Trade and Investment Department would increase by over 25% in order to promote the United Kingdom and maintain its position as the number one destination in Europe for foreign investment. The UK has also announced additional corporate tax saving measures.

Reduction in main rate of corporation tax

The Chancellor announced an additional 1% reduction in the main corporation tax rate to 21%, effective April 1, 2014. The UK corporation tax rate will now decrease to



23% effective April 1, 2013 and to 21% effective April 1, 2014. The UK will then have the lowest tax rate of any major western economy. For the purposes of US GAAP, the additional reduction to 21% will not be regarded as enacted until Royal Assent, which is expected in July 2013.

Capital allowances

The government will increase the Annual Investment Allowance limit from £25k to £250k for two years for all qualifying investments in plant and machinery made on or after January 1, 2013. Businesses will then receive 100% relief for the first £250k of capital investment in plant and machinery.

Paying a fair share

In addition to measures that should attract business to the United Kingdom, the Chancellor announced measures to ensure that UK-based businesses, including multinationals, pay their fair share of tax under current law.

The government will provide the OECD with additional resources to support international efforts to stem global corporate tax base erosion. The government will also increase transfer pricing specialist resources to help accelerate the identification and resolution of existing issues.

General anti-abuse rule

The Chancellor confirmed the introduction of a general anti-abuse rule in 2013. This is anticipated to be a narrowly targeted rule focused on aggressive tax planning.

Next steps

The UK government continues to send encouraging messages for US companies looking to invest in the United Kingdom. The government will publish additional documents on December 11, including draft clauses for Finance Bill 2013.

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