



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

Dame Angela Eagle MP and Sir Christopher Chope MP
Chairs of the Finance Bill Public Bill Committee
House of Commons
London
SW1A 0AA

13 December 2021

Dear Dame Angela and Sir Christopher,

FINANCE BILL 2021-22: GOVERNMENT AMENDMENTS

I am writing to inform you of proposed Government amendments to the current Finance Bill, which have been tabled ahead of the Public Bill Committee.

Clause 14 and Schedule 2: Qualifying asset holding companies (QAHCs) (amendments 1 to 6)

Clause 14 and Schedule 2 introduces a new regime for the taxation of certain asset holding companies that are used by funds and institutional investors to make their investments. Six amendments are required to Schedule 2 to address three technical issues that have been identified with the legislation in the current bill and to better ensure that the legislation delivers on the original policy intention.

As originally drafted, the legislation includes some inconsistencies with wider tax rules, and within the regime's eligibility criteria. The eligibility inconsistency could be exploited by investors to circumvent certain requirements for entry to the regime. The original drafting would also, contrary to the policy intention, prevent existing funds marketed before the commencement of the QAHC regime from being eligible for the regime.

Clause 94 and Schedule 15: Large businesses: notification of uncertain tax treatment (amendments 7 to 10)

Clause 94 and Schedule 15 introduce a new requirement for large businesses to notify HMRC where they have adopted an uncertain tax treatment: where the business makes a provision in its accounts to reflect tax uncertainty, or takes a tax position contrary to HMRC's known view. This clause seeks to reduce the legal interpretation tax gap, which stands at £5.8bn (2019-20).



As originally drafted, Schedule 15 could require businesses to notify of a provision before the business has decided to include the provision in its accounts with respect to VAT or PAYE. The Government's amendment will therefore ensure that Schedule 15 functions as intended, with a business only required to notify after deciding to include a provision in its accounts.

The original drafting of Schedule 15 also required partnerships to consider whether provisions had been made in the accounts of their members, information not necessarily available to partnerships. The Government's amendment ensures a partnership need only notify about provisions in its own accounts, rather than the accounts of its members. The Government's amendments will make changes to address these issues and ensure that the regime functions as intended.

I am copying this letter to the other members of the Public Bill Committee and am depositing a copy of this letter in the Library of the House. The Explanatory Notes for these amendments are available on the Finance Bill 2021-22 GOV.UK webpage (<https://www.gov.uk/government/collections/finance-bill-2021-22>).

Yours sincerely,

A handwritten signature in black ink that reads "Lucy Frazer".

THE RT HON LUCY FRAZER QC MP