



# The Tax Treatment of Financing Costs and Income (Excluded Schemes) Regulations 2013

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## Who is likely to be affected?

Large groups of companies that are subject to the debt cap. The debt cap affects approximately 1800 large groups and operates by limiting financing expenses.

## General description of the measure

The measure will exclude certain schemes from the anti-avoidance rules included in the debt cap provisions in the Taxation (International and Other Provisions) Act 2010 (TIOPA).

## Policy objective

This measure ensures that the anti-avoidance rules affect only those schemes which they are intended to address. It will make the tax system simpler and fairer by enabling large groups to undertake commercial re-structuring in specified circumstances without triggering the anti-avoidance provisions.

## Background to the measure

Draft legislation was published for informal consultation in October 2012 and was modified in response to the detailed comments received.

## Detailed proposal

### Operative date

This measure will have effect on and after 4 December 2013.

### Current law

The debt cap rules are contained within Part 7 of TIOPA. These rules limit the amount of interest that large groups can deduct for the purposes of corporation tax.

Chapter 6 Part 7 includes widely drawn anti-avoidance provisions for the debt cap rules.

### Proposed revisions

Secondary legislation describes schemes to be excluded from the debt cap anti-avoidance rules.

## Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18
	nil	nil	nil	nil	nil
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts.				
<b>Impact on individuals and households</b>	This change only affects large groups of companies that are subject to the debt cap so there is no impact on individuals and households.				
<b>Equalities impacts</b>	The measure is not expected to have any equalities impact.				
<b>Impact on business including civil society organisations</b>	There will be no significant compliance costs or administrative burdens for businesses.				
<b>Operational impact (£m) (HMRC or other)</b>	The measure is not expected to have any operational impact on HM Revenue & Customs.				
<b>Other impacts</b>	Other impacts have been considered and none have been identified.				

## Monitoring and evaluation

The change to the debt cap rules will be monitored in 2014 to determine whether it operates as intended.

## Further advice

If you have any questions about this change, please contact Judith Diamond on 03000 585712 (email: [judith.diamond@hmrc.gsi.gov.uk](mailto:judith.diamond@hmrc.gsi.gov.uk)).

## Declaration

David Gauke MP, Exchequer Secretary to the Treasury has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.