HM Revenue
& Customs

HM Treasury

# Review of the corporate Intangible Fixed Assets regime

**Summary of Responses**
7 November 2018

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# 1. Introduction

1.1. The Intangible Fixed Assets (“IFA”) regime is the UK’s main body of corporation tax rules for the taxation of identifiable intangible assets and goodwill. It gives companies relief for the cost of acquiring such assets by allowing a deduction from income for the amortisation and impairment debits recognised in a company’s accounts. It also taxes receipts in respect of IFAs, including disposal proceeds, as income.

1.2. On 19 February 2018 the government published a consultation document, *Review of the corporate Intangible Fixed Assets regime*, seeking views on whether there is scope to make targeted, value-for-money reforms to the regime that would simplify its administration and improve its international competitiveness.

1.3. The consultation explored changes in several areas, including the exclusion of assets created prior to 1 April 2002 (“pre-FA02” assets) from the IFA regime, the 2015 restriction on relief for purchased goodwill, the de-grouping charge and the elective fixed rate of relief.

1.4. It also sought views and evidence about the effectiveness of the regime in encouraging investment in intangibles, the extent to which business functions and highly-skilled jobs could be expected to be co-located with intangibles, and the benefits to the UK economy that could be expected to flow from such investment.

## Overview of responses

1.5. The government received 29 written responses to the consultation. Roughly half of these were submitted by firms of advisers, with the remainder from representative bodies and individual businesses.

1.6. During the consultation period officials held 13 meetings with interested stakeholders, including two “round-table” sessions each attended by businesses from a range of sectors.

1.7. Respondents were generally in favour of changes to simplify the IFA regime and increase the scope and generosity of relief. Most respondents felt that the 2015 goodwill restriction weighed on the UK’s competitiveness and should be removed. There was a broad consensus that the exclusion of pre-FA 2002 assets was a source of complexity and should also be removed. However, there was a wide range of views as to how this should be achieved. Some stakeholders suggested changing the fixed rate of relief, although for most this was not a priority. Stakeholders largely supported the idea of aligning the IFA regime’s de-grouping charge rules with similar rules in the chargeable gains (“CG”) code.

1.8. Most stakeholders believed that more generous relief for intangibles and goodwill had the potential to attract significant investment to the UK, which

would lead to increased tax receipts and have a positive effect on economic growth. However, many were also mindful of the Exchequer cost, and their responses explored options such as capping or targeting relief.

1.9. The responses to the consultation, and the government's response, are set out in further detail in the following chapters.

# 2. Pre-FA 2002 assets

### Question 1: What types of asset are typically affected by the pre-FA02 rule?

2.1. Stakeholders' consensus was that goodwill is most commonly affected by the pre-FA02 exclusion. Respondents also mentioned brands, trade marks, know-how and media back catalogues.

2.2. Several respondents indicated that the relevance of the pre-FA02 rule often depends on the industry in question. For example, few technology businesses were thought to derive material value from pre-FA02 assets, whereas branded consumer goods businesses often have valuable heritage intellectual property ("IP"). Even where a brand has evolved over many years there may still be a significant pre-FA02 element.

### Question 2: What difficulties or benefits has the need to distinguish between pre- and post-FA02 assets caused for your business? How has the significance of these issues changed over time? If possible, please provide details of any extra administration and cost this imposed.

### Question 3: What would be the impact (positive or negative) of allowing pre-FA02 assets to come within the IFA regime?

2.3. Most respondents suggested that the identification, valuation and tracking of pre-FA02 assets is complex and costly, due to the administrative burden of tracking an asset's acquisition and usage history.

2.4. Specifically, it can often be difficult to determine whether an asset was wholly created post-FA02 or an adaptation of an existing pre-FA02 asset. Similar assets are treated differently – an asset purchased from a related party would be pre-FA02 but the same asset purchased from an unrelated party would be post-FA02.

2.5. Another difficulty is the burden created by the need to perform purchase price allocations solely for tax purposes when an acquisition is made. In one case this involved seeking relevant external IP law and tax advice at a significant expense.

2.6. Some suggested that these difficulties increase over time as uncertainty arises in relation to the identification, valuation and tracking of pre-FA02 assets, caused by staff turnover and reducing corporate memory.

2.7. One respondent stated that, once assets have been separated into pre- and post-FA02 categories following an acquisition, the ongoing administrative burden is limited.

2.8. Most respondents were in favour of bringing pre-FA02 assets into the IFA regime. They considered that this would significantly reduce the regime's complexity and the associated administrative cost. It was also stated that the availability of amortisation relief on pre-FA02 assets would make the UK a more viable location for international businesses that have significant pre-FA02 IP, for example companies with long-standing consumer brands.

2.9. However, other respondents were concerned that removal of the pre-FA02 boundary could have adverse effects for some companies. These mainly related to the possibility of losing favourable treatments currently available under the chargeable gains regime. These issues are discussed in further detail below.

2.10. Some respondents suggested that, to maximise cost-effectiveness, reform should focus on removing the pre-FA02 exclusion in situations where a UK company acquires intangible assets from a non-UK affiliate. This would mean that additional amortisation deductions would only arise in inward investment situations, which could be expected to be accretive to the UK tax base overall.

2.11. When asked to prioritise reforms intended to stimulate investment, stakeholders generally indicated that removal of the pre-FA02 exclusion would have less impact than reinstatement of goodwill relief, which would benefit a wider range of businesses.

### Question 4: If pre-FA02 assets were brought within the IFA regime, at what value should they be recognised, and why?

2.12. Bringing pre-FA02 assets into the IFA regime at net book value then providing for amortisation or impairment relief was the most frequent suggestion. Stakeholders felt that this would be most aligned with the accountancy treatment of these assets which was the original objective of the IFA regime, and would avoid the need to establish the present market value of assets which would be costly.

2.13. However, it was cautioned that the net book value of assets bought soon after the IFA regime was introduced is likely to be very low in comparison to the cost paid for the assets in the first place.

2.14. An alternative approach, designed to align with the expectations of those who had purchased pre-FA02 assets, could be to bring assets within the IFA regime at their CG base cost with the ability to use existing tax attributes, such as capital losses, on a future disposal.

2.15. It was emphasised that any transitional rules should be as simple as possible to reduce the administrative burden and financial cost associated with tracing an asset's acquisition history.

**Question 5: How significant would the transitional issues around capital losses and other reliefs be in practice, and what do you consider would be the best way of addressing this potential unfairness?**

**Question 6: Do you anticipate any other transitional issues? If so, please provide details.**

2.16. The main issue identified was that, in the absence of transitional provisions, capital losses accruing up to the date of transition would become unusable.

2.17. Respondents suggested this could be dealt with by either:

- allowing companies to make an irrevocable election for some or all of their pre-FA02 assets to stay within the CG regime; or
- allowing relief for capital losses at the date of transition against any gains from the future disposal of pre-FA02 intangible assets.

2.18. Many stakeholders felt it was important to include rules of this nature to ensure businesses that had anticipated being able to claim relief for losses were still able to do so. However, others cautioned that overly complex transitional rules could cancel out the simplification benefits of removing the pre-FA02 exclusion by effectively maintaining two categories of assets with different tax treatments.

2.19. The inability to use capital losses was the most common issue raised, however several other issues were identified including:

- the inability to claim indexation allowance or March 1982 values to enhance the base cost of assets could be significant;
- interest expense on finance used to create a pre-FA02 asset and carried forward as pre-April 2017 non-trading deficits could no longer be used; and
- that unless reforms are made to the intangibles regime's de-grouping charge rules, pre-FA02 assets would cease to be eligible for the CG regime's favourable de-grouping treatment.

**Government response**

2.20. The government acknowledges that the pre-FA02 exclusion is a source of complexity in the IFA regime, particularly in relation to business acquisitions, and that simplification would be welcomed by industry.

2.21. However, most stakeholders felt that, compared to reinstating relief for some or all acquired goodwill, removal of the pre-FA02 exclusion would have a relatively limited impact on investment. Even limited changes of the kind described at paragraph 2.10 would come at a significant cost to the Exchequer, which calls into question the cost-effectiveness of reform in this area.

2.22. Moreover, there was broad-based representation from stakeholders that a wholesale removal of the pre-FA02 boundary would unfairly disadvantage some

companies, particularly those with accumulated capital losses. The government considers that the kinds of transitional measures suggested to alleviate this disadvantage would negate most of the simplification benefits associated with removal.

2.23. The government does not consider that the benefits of removing the pre-FA02 exclusion would outweigh the likely costs and negative impacts on businesses. It does not, therefore, intend to make changes in this area.

# 3. Goodwill and other relevant assets

## Question 7: In what situations do companies pay more for a business than the fair value of the individual assets, and what does this difference represent?

3.1. Respondents suggested several reasons why the amount paid in a business acquisition might exceed the fair value of the identifiable assets and liabilities acquired. A common response was that an acquirer may take account of beneficial synergies or the future earning potential of assets when combined together, or with other assets held by the acquiring company.

3.2. Responses also suggested that a premium over fair value may be paid to take account of assets or other factors that are unable to be separately recognised, for example a team of highly skilled staff within a business, or a business's reputation.

3.3. A handful of responses commented that goodwill may arise in some industry specific scenarios such as where the fair value of the assets is difficult to determine, where there is unprecedented competition to acquire the assets, when there is a will to retain consistency with historic valuation methodologies, where valuation methods are constrained (e.g. to replacement cost) or if the business is being acquired in what is currently a lucrative market.

3.4. Specific examples were provided, including:

- when value is attributed to a highly skilled workforce, but this cannot be recognised as a separately identifiable asset (this is particularly prevalent in the technology and pharmaceutical industries);
- when the assets involved are highly specific within an emerging sector, such as marketing authorisation for pharmaceutical products; and
- for businesses operating on e-platforms where network effects make that company valuable, but it uses software that is not unique and therefore of insignificant value.

## Question 8: How has the scope of the 2015 restriction – which extends beyond goodwill to customer-related intangibles – impacted on your business? Please explain both the positive and negative impacts, and provide specific examples where possible.

3.5. The majority of respondents highlighted the negative financial impact of being unable to obtain a deduction for genuine business costs reflected in company accounts, which increased the effective tax rates to which they were subject. This was felt to be particularly problematic given that goodwill and customer-related intangible assets are generally not acquired with a view to being sold on in the future.

3.6. Numerous respondents also suggested that the restriction has increased the administrative burden on businesses by requiring them to divide intangible assets into further qualifying and non-qualifying categories, and apportion purchase consideration between those categories. Sometimes this analysis can be subjective, giving rise to uncertainty when determining the tax impact of transactions. Generally, businesses are having to keep more detailed records.

3.7. Many respondents doubted whether the 2015 restriction had achieved its stated aim of eliminating a distortive tax effect on the structuring of merger and acquisition ("M&A") deals. They felt that, alongside recent changes to Entrepreneurs' Relief and the Substantial Shareholding Exemption ("SSE"), the restriction had given rise to a significant tax incentive for vendors to pursue a share sale rather than a sale of trade and assets.

3.8. Others noted that commercial considerations often outweighed tax when deciding how to implement a sale, and that generally this favoured share transactions both before and after the 2015 restriction was introduced. Any reversal of the 2015 restriction would therefore be unlikely to distort behaviour, but may reinstate asset sales as a viable option.

3.9. A handful of comments compared the post-2015 rules with the tax treatment of goodwill internationally, highlighting that many comparable jurisdictions (for example Germany, the Netherlands and the Republic of Ireland) offer a more favourable treatment. Those that considered the UK to be out of line with international norms felt that this adversely affected the competitiveness and attractiveness of the UK as a location for inward investment, particularly where a company's value is driven by goodwill or customer-related intangibles.

3.10. Some stakeholders commented that it was unclear how the definitions of customer-related intangibles in the relevant legislation applied in certain situations, and that this could be clarified in guidance.

### Question 9: To what extent could changes be made in this area in a way that deals with the issues that motivated the removal of relief in 2015?

3.11. Respondents were strongly in favour of reinstatement of relief for goodwill.

3.12. If one of the purposes of the 2015 change was to act as an anti-avoidance measure, a consistently represented view was that the removal is justified where there is evidence of avoidance, provided it does not impact on commercial transactions where there is no avoidance motive.

3.13. There were numerous suggestions for ways in which the issues that motivated the removal of relief in 2015 could be addressed through targeted legislation whilst accounting for the issues identified in responses to question 8.

3.14. There was appetite from respondents for imposing a limitation on relief if necessary to address the government's concerns over the significant fiscal cost

of reinstatement. The most frequently suggested option was to limit amortisation relief to a fixed percentage of cost per annum.

3.15. An alternative suggestion was to cap deductions by reference to the profits derived from the trade to which the goodwill relates. This sort of approach has been adopted in the Republic of Ireland (although in that case capping extends to certain associated interest deductions). Some respondents, however, argued that this would add unwelcome complexity to the IFA regime. Companies would be required to stream profits from sub-divisions of their activities, and this could become particularly complicated in situations where a line of business is spread over several legal entities in a group.

3.16. A number of respondents commented that, if the restriction were to be removed in its entirety, it would be appropriate to retain the 2014 restriction that was targeted on relief for goodwill and customer-related intangibles acquired in a related-party incorporation.

3.17. A small number of respondents indicated that a limited reform to remove or amend the restriction on customer-related intangibles only would have a significant effect on the UK's competitiveness, particularly for certain industries where such assets were important value drivers. More commented that the distinction between goodwill and customer-related intangibles – and any apportionment of purchase consideration between the two – was often artificial, and that it was logical for any goodwill to extend to customer intangibles.

**Government response**

***Assessment***

3.18. While stakeholders expressed concerns about the potential negative effects of the goodwill restriction, the government believes that the UK's competitiveness should be judged holistically. The wider tax system, business infrastructure, and diverse economy makes the UK a very attractive place to do business.

3.19. Equally, the government considers that the restriction has helped to address a number of previous imbalances and opportunities for boundary pushing, for example around tax-motivated incorporations and property-goodwill apportionment.

3.20. That said, the government accepts that the absence of relief for goodwill is out of step with practice in many other advanced economies, and that the blanket removal of relief for goodwill may have had an undesired effect on some commercial transactions.

3.21. In particular, the government recognises that the goodwill restriction may have had a pronounced negative impact on the acquisition of IP-intensive businesses, which are frequently valued at a significant premium to their underlying individual asset values – often due to asset synergies or valuation methods. The government accepts that to wholly deny relief for goodwill in

these situations is not consistent with the government's wider approach to provide relief for the cost of acquired IP assets.

3.22. The government intends to address this, through re-introducing relief for acquired goodwill to the extent that the goodwill value has a strong connection to IP owned by the acquired business, that would itself qualify for relief under Part 8.

***Proposal***

3.23. It is difficult to precisely measure the contribution of IP assets to goodwill arising on a business acquisition. By its nature, goodwill is a residual value that cannot be attached to identifiable assets.

3.24. The government therefore proposes to introduce a proxy for the contribution of IP assets to goodwill, by allowing relief for goodwill by reference to the value of the eligible IP in the acquired business.

3.25. Specifically, the government proposes to allow relief for the cost of acquired goodwill up to the fair value of the eligible IP in the acquired business.

3.26. For example, company A acquires the business of company B for £100 million. At the time of acquisition, company A accounts for the cost as £20 million of eligible IP assets, £50 million of tangible capital assets, and £30 million of goodwill. The new relief would provide relief for the amortisation of £20 million of that goodwill.

3.27. The government proposes that, for the purpose of the new relief, the categories of IP that are eligible should broadly correspond to the existing definition of IP in the Part 8 rules at section 712(3), including:

- patents,
- registered trade marks,
- registered designs, and
- copyright or design rights.

3.28. The leading proposal is that the rate at which relief is given will continue to be based on accounting amortisation and impairment debits, subject to an optional election for fixed rate relief at 4% per annum. However, the amount of goodwill that qualifies for relief will be capped at the fair value of eligible IP or the total value of goodwill, whichever is lower.

3.29. The government does not intend to re-instate relief for customer-related intangibles. These are identifiable assets in their own right, so their value is not derived from other identifiable IP assets.

***Alternative approaches***

3.30. The government considered the option of providing relief for all of the cost of acquired goodwill, in circumstances where the acquired business held eligible

IP that was more than a certain share of: (i) its total capital asset value; or (ii) its total capital asset value plus the value of goodwill.

3.31. However, this approach would result in all-or-nothing relief for goodwill on the basis of these simple mechanical tests. This policy cliff-edge could result in arbitrary results where companies with comparable IP-intensity would face different goodwill treatment on the basis, for example, of whether they rent or own their property.

***Commencement***

3.32. The government will conduct a brief consultation on the detailed design of this policy, before introducing legislation for these changes through government amendment to the Finance Bill 2018-19. The consultation will seek to ensure that the proposed policy design, set out above, achieves the government's objective to provide targeted relief for goodwill in the acquisition of IP-intensive businesses and mitigates any unintended consequences.

3.33. The government intends that the new rules should apply in relation to acquisitions of goodwill occurring on or after 1 April 2019. Goodwill acquired prior to that date will continue to be subject to the tax treatment that applied at the time it was acquired.

3.34. The government will monitor the operation of the new rules carefully, both to assess their effectiveness in supporting innovative businesses and to determine whether the categories of eligible IP remain appropriate in the future.

3.35. Alongside this, the government intends to continue to restrict relief for internally-generated goodwill acquired in a related-party incorporation. Such acquisitions were previously subject to a targeted restriction contained in Finance Act 2015, which sought to remove an unfair tax advantage that arose in such situations. The government considers that this policy objective remains valid.

# 4. De-grouping

**Question 10: To what extent does the IFA de-grouping charge cause difficulties with M&A transactions in practice? Please provide specific examples where possible.**

4.1. Most of the responses to this question referred to the difference between the CG and IFA regimes arising from reforms to the CG rules enacted in 2011 which have not been mirrored in the IFA rules. This can lead to markedly different tax outcomes depending on whether a de-grouped company owns pre- or post-FA02 assets. One respondent indicated that this made the UK tax rules appear arbitrary.

4.2. Stakeholders provided a number of examples of difficulties with M&A transactions. Groups frequently have to undertake business disposals via complicated steps in order to achieve tax neutrality in relation to IFAs, whereas similar transactions involving CG assets benefit from the SSE and can be structured relatively simply.

**Question 11: Do you consider that the IFA de-grouping charge could be modified to eliminate such difficulties? How could this be achieved affordably, while preserving the Exchequer's ability to claw back deductions given in excess of the economic cost?**

4.3. The most common suggestion was to align the IFA rules with the CG changes so that if de-grouping occurs as a result of a share disposal that qualifies for the SSE there would be a neutralisation of the de-grouping charge. Respondents were generally comfortable with an approach that would allow de-groupings meeting suitable conditions to take place on a tax-neutral basis, although many also felt capping the de-grouping charge by reference to the historical cost of the asset would also be reasonable.

4.4. One respondent indicated that if the government was not minded to take this approach, another way to simplify the regime could be to reduce the current six-year time window, for example to three years. This would reduce the record-keeping requirements faced by companies involved in de-grouping transactions.

**Government response**

4.5. The government acknowledges that the current differences between the CG and IFA regimes' de-grouping rules can lead to arbitrary tax outcomes depending on the nature of a company's assets or, in the case of intangibles, the date of their creation. It also tends to increase the complexity of M&A transactions.

4.6. The policy motivation for the 2011 reforms to the CG de-grouping charge is equally relevant to transactions involving IFAs, and the government therefore intends to legislate for similar reforms to Part 8.

4.7. The CG rules work by exempting any de-grouping charge that arises as a result of a share disposal that qualifies for SSE, which effectively rebases the assets to market value free of tax. The government does not consider that this would be an appropriate outcome under the IFA rules. In situations in which amortisation relief has been given prior to de-grouping that exceeds the decline in market value of the assets in question, the Exchequer would lose the ability to claw back relief. The asset-owning company would also be entitled, post de-grouping, to further amortisation relief on the rebased value.

4.8. The government therefore intends to legislate so that a de-grouping that occurs as a result of a share disposal that qualifies for SSE will be tax neutral for assets within the IFA regime.

# 5. Basis of relief

### Question 12: In what circumstances do companies typically elect for fixed rate relief?

5.1. Respondents indicated that the 4% election is typically made in respect of assets which do not have a determinable useful economic life, and which are not therefore amortised under International Financial Reporting Standards ("IFRS") and Financial Reporting Standard 101, or assets which have useful lives in excess of 25 years. The most significant such asset is goodwill (prior to the 2015 restriction, and typically when accounted for under IFRS).

5.2. Some respondents explained the election could be used to smooth deductions over a period of time, which can have benefits such as maximising the Double Tax Relief credits available in respect of foreign withholding taxes.

5.3. The responses indicate primarily that, although not used by many companies, the 4% election is important to those that do use it, as often they will have no other way of receiving effective relief for the assets in question.

### Question 13: Do you consider that the UK's approach to the elective fixed rate relief deters international businesses from locating intangibles in the UK?

### Question 14: Should the way in which fixed-rate relief is given under the IFA regime be changed? How would this impact on business decisions?

5.4. A number of respondents indicated that the 4% rate compares unfavourably with the rates of relief available in other European countries and that this can deter international businesses from locating intangibles in the UK. However, others felt the availability of relief is the most important factor and that the precise rate is less important. For cash flow reasons, businesses would prefer a higher rate of relief but for many, particularly listed groups, this has not necessarily deterred them from investing in the UK.

5.5. Other respondents suggested that the UK could make itself more competitive by increasing the fixed rate, for example so that the entire cost of an asset could be relieved over 10 to 15 years. One suggestion was to offer 100% first-year relief up to a set level per annum, in the manner of the Annual Investment Allowance.

5.6. A few opinions were that changing the fixed rate of relief would only be of significant benefit if the 2015 restriction on goodwill was reversed as this would have been the main item which would benefit from the fixed rate election. This combination of changes would make the UK regime more competitive in the respondents' view as well as limiting the cost to the Exchequer of giving relief for goodwill.

5.7. One response suggested that removal of the fixed rate election could be used to fund other reforms to the regime.

**Government response**

5.8. The government recognises the importance of the fixed rate election to certain businesses. It considers that the election continues to support the policy objectives of the IFA regime by enabling companies to access effective relief for long-life assets.

5.9. The government remains of the view that the availability of accounts-based deductions in most cases means that the UK's rates of relief are comparable to those in other jurisdictions. While respondents generally expressed the view that a higher fixed rate of relief would be welcome, most felt this was a lower priority than the other issues raised in the consultation document. The government does not, therefore, intend to change the fixed rate.

# 6. Supporting economic growth

### Question 15: What are the benefits to the UK of international businesses holding intangible assets in the UK?

6.1. Responses generally focussed on the potential to grow the UK's tax base by attracting inward investment from IP-rich businesses. Intangible assets are often a key factor that differentiates a company's products or services – for example software copyrights or valuable trade marks – and accordingly can generate a substantial income stream. It was therefore argued that any growth in the UK's IP base would be expected to lead to commensurate growth in corporation tax receipts.

6.2. Some respondents explained that, as a result of the reforms made to the international tax system as a result of the OECD Base Erosion and Profit Shifting project, it was no longer viable for international businesses to adopt structures in which valuable intangibles were located separately from the business functions connected to the development, enhancement, maintenance, protections and exploitation of those intangibles (known as "DEMPE" functions). Any movement of intangible assets to the UK would therefore be part of a wider commitment to site DEMPE functions here, and these could be expected to grow organically over time.

6.3. Stakeholders commented that DEMPE functions in IP-centric businesses generally required highly-skilled employees, for example in software development, scientific research or production of creative content. Attracting businesses operating in these areas would boost skilled employment and have a positive knock-on effect on the UK's tax base.

### Question 16: How could the IFA regime be made more cost-effective?

6.4. The responses contained a variety of suggestions, some of which are discussed at paragraph 3.14 onwards.

6.5. A recurring point of reference was the Republic of Ireland's regime for intangible assets which capped deductions with respect to income derived from intangible assets. Stakeholders differed in their perceptions of that approach: some were relatively relaxed about the idea of an income-based cap on relief, whereas others felt that this would lead to unwelcome complexity for limited gain.

6.6. A handful of the responses suggested simplifying the IFA regime would make it less costly to police and reduce the uncertainty over tax treatment that businesses were potentially faced with when making acquisitions. There was a perception that would-be investors in the UK were sometimes deterred by a perceived lack of certainty over their tax position.

6.7. Some respondents emphasised the need for the government to take a long-term view, arguing that the cost of providing incentives for generating and

holding IP in the UK will not necessarily produce an increase in the UK's tax base immediately, but rather gradual accretion over time.

6.8. A number of stakeholders suggested technical changes to the IFA regime that they felt would remove anomalies or improve its operation. These included:

- introducing new rules governing the treatment of IFAs held by partnerships with corporate partners;
- a joint election for a share acquisition to be treated as if it was an acquisition of the underlying assets; and
- alterations to the process by which merger clearances are given in respect of IFAs.

**Government response**

6.9. The government notes the information provided by stakeholders in relation to the benefits of incentivising investment in intangibles, and has taken this into account in assessing the merits of the proposals covered by the consultation.

6.10. The government also notes the suggestions for technical changes made by stakeholders. While these are outside the scope of the current review, they will be used to inform future policy work.

# 7. Next steps

## Legislation

7.1. The government considers that the policy changes around goodwill relief and de-grouping should be implemented at the next available opportunity in order to have maximum effect.

7.2. The Finance Bill 2018-19 will therefore introduce legislation to give effect to the de-grouping changes from 7 November 2018.

7.3. Chapter 3 sets out the government's proposed design to provided targeted relief for the cost of acquired goodwill. In recognition of the value of prompt policy certainty in this area, the government intends that this change should take effect from 1 April 2019. Following a brief consultation, the government will therefore seek to introduce legislation for these changes through government amendment to the Finance Bill 2018-19.

## Equalities and other impacts

7.4. None of the consultation responses raised specific concerns about equalities or other impacts.

7.5. The government continues to assess the likely impacts of the proposed policy changes, and would welcome any further comments that stakeholders would like to make in this regard.

# Annexe A: List of stakeholders consulted

Association of Chartered Certified Accountants
Association of Taxation Technicians
AstraZeneca plc
Baker & McKenzie LLP
BDO LLP
BT Group plc
Confederation of British Industry
Chartered Institute of Taxation
Deloitte LLP
Discovery
DLA Piper UK LLP
Ernst & Young LLP
Fieldfisher LLP
G4S plc
Institute of Chartered Accountants in England and Wales
Institute of Chartered Accountants in Scotland
InterContinental Hotels Group
Kingston Smith LLP
KPMG LLP
The Law Society of England and Wales
London Society of Chartered Accountants
Macfarlanes LLP
Mazars LLP
Moore Stephens LLP
The Office of Tax Simplification
Pinsent Masons LLP
PricewaterhouseCoopers LLP
RSA Insurance Group plc
RSM
Sky plc
UK BioIndustry Association
Unilever plc
One individual