



HM Treasury

Corporate Tax Simplification for Business Investment

October 2026

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Chapter 1

Financial Secretary to the Treasury Foreword

1.1 A stable and predictable Corporation Tax system helps give businesses the confidence to invest, innovate and grow. A commitment to make the tax system easier to understand and operate therefore directly complements the government's commitment to economic growth in every postcode.

1.2 Our commitment to the Corporate Tax Roadmap, published in 2024, provides stability, predictability and certainty while maintaining a competitive and sustainable regime. Since its publication, we have continued to listen to businesses, advisers and tax experts. Their message is clear: complexity often arises not from a single rule, but from the cumulative effect of overlapping regimes, repeated reporting requirements and administrative processes.

1.3 We want businesses of all sizes, in every part of the UK, to spend less time navigating unnecessary bureaucratic complexity and more time investing, expanding, and creating wealth and good jobs.

1.4 We are therefore launching a targeted, evidence-led programme to simplify the Corporation Tax system where change can deliver the greatest practical benefit. Our aim is to reduce avoidable complexity and unnecessary administrative burdens, while safeguarding revenues, preventing avoidance and protecting the integrity of the tax system.

1.5 This document sets out areas where we see clear potential for reform. Looking more broadly across the tax system, we will be exploring potential opportunities for AI to be used in analysing and simplifying existing legislation, and in improving the development of new tax policy and legislation. We are open to ideas for further areas to consider, subject to any associated fiscal impact.

1.6 We will take this work forward in phases, working closely with businesses, representative bodies, advisers and other experts to test possible solutions and focus effort where reform can have the most impact. We will consider improvements to guidance, administration and legislation, with fiscal impacts, competitiveness and deliverability considered carefully at every stage.

1.7 I encourage all those with experience of the Corporation Tax system to contribute their evidence and ideas.

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the right.

RT HON JAMES MURRAY MP

**FINANCIAL SECRETARY TO THE TREASURY AND PAYMASTER
GENERAL**

Chapter 2

Introduction

2.1 Sustainable economic growth relies on businesses investing, innovating, and creating jobs. The Corporation Tax system is an important part of the environment in which businesses and investors make long-term decisions. A regime that is competitive and fiscally sustainable, and that provides stability, predictability and certainty, can help give businesses the confidence to commit capital and grow in the UK.

2.2 The 2024 Corporate Tax Roadmap established the government's approach to providing that confidence. It confirmed the major features of the Corporation Tax system, while recognising that the regime must remain capable of responding to changes in business practice, the international tax landscape and emerging risks. It also committed the government to work with stakeholders to improve tax administration and to consider opportunities to rationalise the rules governing cross-border activity following significant developments here.

2.3 Corporation Tax rules have developed over time in response to changes in the economy, business models, avoidance risks and international agreements. Each rule may have a clear policy purpose, but their cumulative effect can make the system more difficult and costly to navigate. Businesses have raised a number of concerns about particular overlapping requirements, uncertainty at the boundaries of different rules, repeated demands for similar information and administrative processes that can absorb resources without producing a proportionate benefit.

2.4 For businesses operating internationally, the implementation of Pillar Two represents a significant change in the international tax framework. Although Pillar Two and the UK's existing domestic anti-avoidance regimes do not serve the same purpose or cover the same group of taxpayers, businesses have asked the government to consider their combined effect and whether elements of the wider framework can now be better targeted or rationalised. This is a timely question, albeit one that requires careful analysis: simplification must not undermine the taxation of profits attributable to UK activity, the protection of the UK tax base or the UK's international obligations.

2.5 The government has already taken steps to simplify and modernise the corporate tax framework. For example, since the Office of Tax Simplification¹ delivered its 2017 report, many of its key recommendations have been implemented. This includes an

¹ [OTS review on simplifying the CT computation](#)

exemption for UK-to-UK Transfer Pricing as part of wider simplification which also reformed aspects of permanent establishment rules and repealed Diverted Profits Tax as a standalone tax. From 2019, the Intangible Fixed Asset Regime incorporated changes to restore relief to goodwill, reduced the distinction between third-party and related-party acquisitions, and simplified certain valuation rules. Through the Corporate Tax Roadmap the government set out the importance of stability and predictability in order to cultivate a positive climate for investment and as such committed to maintain the key features of the tax system most important for investment.

2.6 In addition, the Offshore Receipts in respect of Intangible Property rules were repealed alongside the implementation of the Pillar Two Undertaxed Profits Rule.

2.7 Where we have introduced new obligations, such as the International Controlled Transactions Schedule (ICTS) for Transfer Pricing, we have worked closely with business to ensure requirements are proportionate and focused on information that is necessary to facilitate risk identification. Stakeholder feedback has directly informed a number of changes to the regime, including additional exemptions for lower-risk arrangements, the introduction of an intermediate materiality threshold for businesses with a significant UK footprint, and greater aggregation of transactions to reduce line-by-line reporting. These changes will help reduce compliance burdens while enabling more effective, data-led risk profiling. The government will bring forward legislation in the coming months to implement these reforms and will continue to engage with stakeholders as the regime is introduced.

2.8 At Autumn Budget 2026 the government is also launching a Call for Evidence on Modernising the Administration of Corporation Tax. This Call for Evidence will explore how companies interact with the Corporation Tax system in practice, including opportunities to reduce unnecessary friction and duplication, simplify reporting and information requirements and better align tax administration with accounting and business processes.

2.9 Further action has included opening the Advance Tax Certainty Service for major investment projects to get binding agreements on their tax position, and where the entry threshold was lowered to £300m at Autumn Budget 2026, removing the complex shadow Advance Corporation Tax rules, and a targeted Advance Assurance pilot service for SMEs claiming R&D reliefs. The government will also introduce legislation to replace Stamp Duty and Stamp Duty Reserve Tax with a single, digital and self-assessed Securities Transfer Tax from late 2027, and has consulted on options to simplify the administration of treaty relief from withholding tax on interest paid overseas.

2.10 This publication should be viewed as part of the government's broader programme of tax simplification and modernisation already underway. This report builds on those foundations, focusing on specific areas of the Corporation Tax regime and a small number of other taxes,

where targeted reform could deliver clear and proportionate benefits for businesses. It does not reopen the 2017 review of fundamental features of the tax base, including the distinction between capital and revenue expenditure or the approach to taxing different sources of income. These features are deeply embedded in the tax system, and reform on that scale would risk undermining the stability that businesses value and create significant operational burdens with uncertain fiscal consequences. The Government therefore considers that a targeted, evidence-led programme focused on specific areas of complexity offers the clearest route to practical benefits for businesses in the near term.

2.11 In light of the current, challenging fiscal context, potential reforms will be carefully scrutinised for associated costs and low or no cost options considered most deliverable in the near term. However, options would also be assessed against their contribution to certainty, increasing competitiveness and supporting growth through business investment to support a holistic assessment. This approach will allow the programme to be impactful in removing avoidable complexity over time while remaining consistent with fiscal discipline.

2.12 The government will also explore whether emerging technologies, including artificial intelligence, can play a role in helping businesses and government identify and respond to areas of tax complexity. The government will explore what opportunities there are for AI to be used to analyse and simplify existing legislation, as well as to improve the development of new tax policy and legislation.

2.13 This work will focus on gaining understanding of where such technologies may be useful in supporting and complementing simplification efforts, not replacing policy and legal judgements. Any future proposals will remain subject to the same standards of scrutiny and accountability as other reforms.

2.14 This report sets out three phases of work over the following year to refine, test and implement via guidance, legislation, or other channel. The continued dialogue and collaboration with business and advisory community is central to developing impactful and responsive policy and is centred in this programme.

Timetable

2.15 The government commits to make progress on reforms over the next year, ensuring we match resource and efforts to prioritise the policy options under consideration with the greatest potential for simplification benefit.

2.16 Between **November and April**, we will work closely with business to further refine our understanding of the policy concerns set out in this report, and their respective prioritisation for business, develop potential solutions, and test emerging approaches. This engagement will build on the ideas set out in this report and help shape the government's approach to simplification.

2.17 Between **May and September**, we will develop detailed proposals for highest priority areas of concern and engage in a final round of technical consultation ahead of a future fiscal event.

2.18 The government would keep this body of work under review and seek to deliver further simplification within these areas of CT policy over time, and centre simplicity within any new policymaking going forward.

Stakeholder engagement

2.19 Following this report, the next phase of work will focus on developing and testing options in the areas identified above, in line with the timetable set out in paragraphs 2.15-2.16. HM Treasury and HMRC will lead an official-led process, drawing on the insights and experience of stakeholders with relevant expertise. Engagement will be tailored to the specific issues under consideration and may involve different stakeholders at different stages of the programme.

2.20 The Financial Secretary to the Treasury will launch this work. HM Treasury and HMRC will then establish stakeholder working groups, to facilitate roundtables and technical discussions covering particular areas of the Corporate Tax system. These forums will provide an opportunity to test policy options, explore technical issues and assess the practical implications of potential reforms ahead of the publication of draft legislation.

2.21 Stakeholders who wish to contribute to this programme should email ct.simplification@hmrc.gov.uk by 21 November 2026, setting out their areas of interest, relevant technical expertise and experience. Expressions of interest will inform future engagement, but we cannot guarantee participation in any particular working group, roundtable or discussion forum and will seek to manage overall number of attendees. Please see the Privacy Notice at Annex A for further information on how your data will be used and stored.

2.22 The government will continue to engage broadly with businesses, representative bodies and other interested parties as proposals are developed, including through consultations, targeted stakeholder engagement and wider calls for evidence where appropriate.

Chapter 3

Simpler and more certain rules for financing and international activity

Reducing unnecessary uncertainty and friction when businesses finance investment or operate through groups, while retaining effective protection of the UK tax base.

3.1 The UK has introduced a range of rules to protect the tax base and ensure multinational businesses pay the right amount of tax. These rules play an important role in maintaining fairness and protecting revenue, but stakeholders have said that the cumulative effect of multiple overlapping regimes can create complexity, uncertainty and additional compliance costs. The government is therefore interested in exploring whether simplification can be achieved while maintaining effective protection of the UK tax base.

Treaty relief from withholding tax on interest

Purpose of withholding tax on interest

3.2 The UK's regime for the withholding of income tax is designed to ensure that tax on UK source yearly interest can be collected where due, without the difficulty and cost of recovering tax from overseas lenders. It is an important protection against base erosion using interest deductions (one form of 'profit stripping'), and is a feature of most countries' tax systems. However, it is not intended to impose practical obstacles to treaty relief, or create uncertainty for UK businesses seeking finance to fund investment.

Concerns raised by stakeholders

3.3 There have been long-standing concerns over delays and administrative burdens involved in obtaining the HMRC directions needed by UK borrowers to obtain treaty relief at source. Stakeholders also express concerns that borrowers who make errors in the process may incur substantial tax liabilities, even when in principle treaty relief

would have been available. To address this, a recent consultation² considered possible replacement with a self-assessment regime, but many stakeholders saw significant risks. They considered that this might adversely impact borrowers and the lending market if it undermined the high levels of certainty currently provided by directions.

Areas for further consideration

3.4 The government recognises the scope for streamlining and simplifying the current system of Treaty relief on interest. Responses to the consultation will be reflected in detailed policy design work, which will seek to strike an appropriate balance between simplicity, certainty and effective compliance arrangements to ensure Treaty relief is being accessed only by those entitled to it. This will explore further a self-assessment based approach, but will also engage with concerns identified about diluting the certainty the current direction system provides.

3.5 Policy design, implementation arrangements and any supporting legislative changes will be subject to further engagement before final measures are settled and a summary of responses and the government's response will be issued shortly. In the interim, HMRC will publish new guidance to assist businesses in operating the existing rules correctly, including dealing with administrative failures.

3.6 Potential improvements being considered include the scope for a simpler process where lenders have obtained an HMRC 'passport' for double tax relief and a limited self-assessment option, as well as better real-time information for lenders and borrowers. Further consideration is also being given to the more complex financing arrangements highlighted by some stakeholders in response to the consultation.

Controlled foreign companies (CFC) rules

Purpose of the CFC rules

3.7 The UK CFC rules seek to protect the UK corporation tax base by preventing the artificial diversion of profits from the UK to overseas companies controlled from the UK.

3.8 The rules contain a number of charging gateways and exemptions so that only profits at risk of artificial diversion are targeted. This reduces the compliance effort needed in respect of CFCs that present a lower risk of diversion from the UK.

Concerns raised by stakeholders

3.9 Questions have been asked about the continued need for CFC rules, given the introduction of Pillar 2. Stakeholders have said that it is

² [Simplifying Treaty Relief from Withholding Tax on Interest Paid Overseas](#)

burdensome for groups to have to consider and apply both sets of complex rules.

3.10 Stakeholders have also raised concerns about the complexity of the CFC rules, particularly where significant time and resource is expended to apply the rules to detailed fact patterns, only to determine that no CFC charge arises.

Areas for further consideration

3.11 The government understands why stakeholders have questioned whether full CFC rules are needed alongside Pillar 2 rules. However, although there are some similarities in how both sets of rules operate, there are significant differences in both the scope (Pillar 2 applying to groups with consolidated revenue of over €750m) and purpose of those rules.

3.12 The government is committed to ensuring CFC rules remain in place to protect against artificial diversion, but also to ensuring the CFC rules and Pillar 2 rules operate together coherently and in a proportionate way.

3.13 The government is keen to consider whether the CFC rules can be simplified for groups within the scope of Pillar 2, recognising the reduced incentive for profit diversion in these groups. Whilst recognising the role the CFC rules play in preventing artificial diversion of profits, the government is also keen to explore whether some of the current exemptions from the CFC rules should be aligned with Pillar 2 adoption.

3.14 Further, the government recognises there have been developments in other areas of international tax since the current CFC rules were introduced in 2012, particularly around Transfer Pricing, and is keen to explore whether all of the rules are still required, or whether any particular aspects can be simplified.

Anti-hybrid mismatch rules

Purpose of the anti-hybrid mismatch rules

3.15 The UK's anti-hybrid mismatch rules are based on the Organisation for Economic Co-operation and Development (OECD) recommendations in relation to Action 2 of the Base Erosion Profit Shifting (BEPS) project. The legislation aims to neutralise tax mismatches created through the use of hybrid financial instruments, hybrid entities, and arrangements involving permanent establishments. The rules are designed to work irrespective of whether another country has implemented equivalent rules.

Concerns raised by stakeholders

3.16 The main concern raised by stakeholders relates to the length and complexity of the anti-hybrid rules. The rules and the accompanying HMRC guidance are often cited by stakeholders as an

example of long and complex tax legislation that should be simplified. They are one of a number of areas of legislation that need to be considered, often in relation to the same item of expenditure, creating uncertainty as to the treatment of that expenditure. Such uncertainty can be detrimental when considering inward investment to the UK, and therefore potentially damaging to UK competitiveness.

3.17 Stakeholders have questioned the continued need for full anti-hybrid rules, suggesting that Pillar 2 should go some way in preventing or discouraging the types of mismatch the anti-hybrid rules seek to counteract.

3.18 There are aspects of the UK's anti-hybrid rules that go beyond OECD recommendations. Stakeholders have questioned whether the complexity added by these aspects is necessary, particularly given the introduction of Pillar 2.

Areas for further consideration

3.19 The government is committed to maintaining robust anti-hybrid rules that protect against multinational enterprises creating tax mismatch outcomes. The current rules are long, but have been drafted to apply mechanically, to counter often complex tax arrangements while avoiding disputes on subjective interpretation.

3.20 Following the introduction of Pillar 2, the government is keen to ensure the anti-hybrid rules continue to apply proportionately and in appropriate circumstances. It recognises that challenges as to how the two sets of rules should work alongside one another could provide an opportunity to rationalise aspects of the rules, and will consider whether all hybrids counteractions should continue to apply to groups within Pillar 2.

3.21 The government is keen to consider whether the introduction of Pillar 2 creates opportunities to build on reforms introduced in Finance Act 2021, and in particular consider fact patterns similar to those that led to the introduction of the group matching and deemed dual inclusion income provisions, to ensure the rules continue to operate in an effective and proportionate way.

Interest deductibility – Unallowable purpose

3.22 A number of stakeholders have commented on the number of different rules applying to the deductibility of finance costs for Corporation Tax. Particular reference has been made to the unallowable purpose rule and corporate interest restriction (CIR), as well as the anti-hybrid mismatch rules described above.

Purpose of the unallowable purpose rule

3.23 The unallowable purpose rule limits deductions claimed for interest, losses or expenses that a company incurs where a loan relationship or derivative contract has an unallowable purpose – a

purpose that is not amongst the business or other commercial purposes of the company.

3.24 It applies to cross-border and UK to UK transactions, and the tax advantage can be for the company or any other person. Unallowable purpose enquiries are fact-specific and mainly involve the most complex cases, involving large amounts of tax. It remains a significant part of the UK's rules limiting interest deductions and other finance costs from tax-driven structures that leverage up UK companies. It also tackles risk in situations where it is not addressed by other regimes, including more recently introduced rules.

Concerns raised by stakeholders

3.25 Stakeholders have raised concerns that the unallowable purpose rule creates uncertainty for businesses, as it relies on testing the subjective purposes for a company entering into a loan. They consider that this can make it difficult to distinguish between acceptable tax-efficient financing arrangements, and arrangements that are tax driven, so have an unallowable purpose. Many have commented that recent case law has made it harder to predict when financing costs may be denied, including for arrangements undertaken for genuine commercial reasons, deterring investment into the UK.

3.26 Stakeholders have also noted concerns about the resource intensive nature of dealing with any enquiries raised by HMRC into the application of the unallowable purpose rule.

3.27 Overall, stakeholders suggest the rule duplicates other avoidance rules and provisions covering interest.

Areas for further consideration

3.28 While stakeholders have highlighted that there can be uncertainty in applying the unallowable purpose rule in the context of financing, the government has already taken steps to increase certainty on whether the rule is likely or not likely to apply, through:

- a) updates to the published guidance in this area, including to the set of examples and principles from decided cases
- b) offering low risk views (LRVs) linked to the launched Advance Tax Certainty Service (ATCS) for major projects

3.29 The government is interested in exploring ways of going further on these steps. For example, through additional improvements to guidance including more examples, and situations where a low-risk view linked to the ATCS eligibility criteria would be considered useful.

3.30 The government also invites stakeholders to share examples of where simplification or increased certainty could be achieved in relation to the unallowable purpose rule in ways that are fiscally neutral and continue to provide base protection. This could include opportunities arising from changes to scope, exclusions or interaction with other provisions.

Interest deductibility – Corporate interest restriction (CIR)

Purpose of CIR

3.31 CIR is intended to protect the UK tax base by limiting the extent to which multinational groups and other large businesses can reduce their UK taxable profits through excessive interest and other financing deductions.

3.32 Introduced as part of the OECD's Base Erosion and Profit Shifting (BEPS) project, the rules seek to align interest deductions more closely with a group's economic activity and external financing costs, helping to support the taxation of profits where value is created while seeking to retain a deduction for genuine commercial finance costs.

Concerns raised by stakeholders

3.33 Stakeholders have raised concerns that the UK's CIR regime is particularly complex. They consider it can create significant compliance burdens and requires detailed calculations, elections and group-wide information.

3.34 Businesses have also argued that the rules can restrict relief for genuine commercial borrowing and that procedural errors can lead to disproportionate outcomes, creating uncertainty and administrative cost.

Areas for further consideration

3.35 The government recognises that the CIR legislation is detailed. A significant part of this relates to the rules operating at a group level, potentially affecting multiple UK companies within a group. As with many areas of tax legislation, there is a trade-off between simplicity and ensuring the rules can operate appropriately across a range of commercial circumstances.

3.36 The detail of the regime also reflects features designed to provide flexibility where appropriate, such as the public infrastructure rules and group ratio rule. The regime also provides groups with optionality through elections. Ultimately, there is a balance to be struck between sophistication and complexity.

3.37 The government has already taken steps to improve the administration of the regime, with Finance Act 2026 making changes in relation to reporting companies.

3.38 The government has not identified any significant simplification opportunities that would avoid significant fiscal cost or which do not risk compromising the policy intentions of the regime. Nevertheless, the government welcomes business input on how concerns may be addressed, or where compliance burdens could be reduced while maintaining effective protection of the UK tax base.

Chapter 4

Making it easier to invest and innovate

Research and development (R&D) reliefs

Purpose of R&D reliefs

4.1 R&D tax reliefs play an important role in encouraging innovation by reducing the cost of qualifying research and development activity. Evidence suggests that a 1% increase in R&D support is associated with up to a 0.22% increase in productivity levels. It is therefore important that the reliefs remain effective, internationally competitive and appropriately targeted, while ensuring that the administrative requirements are proportionate to risk.

4.2 The reliefs are already delivering – the provisional estimated amount of total R&D tax relief support claimed for the financial year 2024 to 2025 was £8.2 billion, an increase of 5% from the previous year. This corresponds to £51.0 billion of R&D expenditure, 7% higher than the previous year.

4.3 Improvements have already been announced as part of the response to the government's entrepreneurship review and will take effect in 2027. Around 26,000 businesses a year will benefit from the removal of the requirement to pre-notify a claim using the claim notification form, which will take effect from April 2027; and around 40,000 businesses a year will benefit from the simplification and rationalisation of the additional information form (AIF) from autumn 2027.

4.4 However, there are areas for further improvement, addressing feedback we have received from stakeholders, particularly in the detail of the legislation introduced when the reliefs were reformed in 2024 and in administration.

Concerns raised by stakeholders

4.5 Stakeholders have raised concerns that following reforms in 2024, the R&D relief legislation is unclear in some places, for example the ERIS (Enhanced R&D Intensive Support) intensity ratio, and complex in others.

4.6 The R&D reliefs claims process has been modified over the past few years by measures to tackle error and fraud. Stakeholders find it has become burdensome, unclear and over-complicated, with multiple

forms that have intersecting deadlines and requirements. Claimants are also unable to find out easily how their claim is progressing.

Areas for further consideration

4.7 The government's 2024 Corporate Tax Roadmap commits to stability for the R&D reliefs, and stakeholders have told us that previous sudden changes (for example, to the additional information form) caused them concern. We would therefore be interested in exploring the following areas further with stakeholders, to agree the best solutions.

4.8 Legislation: The government proposes gathering stakeholder views on how to simplify the R&D relief legislation to make the rules easier to comply with and better deliver the policy aims. We want to hear further ideas from stakeholders, but are already aware from them that it may be useful to address the following:

- a) The ERIS intensity ratio. Eligibility for ERIS depends on the company's R&D expenditure meeting a certain proportion of its total expenditure. Some stakeholders consider that the definition of total expenditure here is unclear. In addition, R&D and total expenditure are aggregated for this purpose with other connected companies and some stakeholders consider the definition of "connected" is complex to apply.
- b) The PAYE / NIC cap. Under both schemes the amount of payable R&D relief available is limited by the company's PAYE and NIC liability. There is an exemption from this cap, which is intended to support smaller, growing businesses but may not always apply where it should.
- c) Going concern status. This is a requirement for relief which is intended to ensure that the relief supports only viable businesses but a company can lose this status for technical reasons where a viable trade still exists.

4.9 Administration of the reliefs: In the short term we will engage with stakeholders on AIF changes and there will be continuing work to improve the customer experience, including on collaboration across government and on advance assurance, where the current targeted advance assurance pilot, which is gathering views from participants about the value of the service and how it might be improved, will inform future decisions.

4.10 In the longer term, the government will consider the whole claims process for R&D and how it might be updated (see Chapter 5).

Capital allowances – predevelopment costs

Purpose of capital allowances

4.11 Capital allowances provide tax relief for qualifying capital expenditure and form an important part of the UK's framework for supporting business investment. The regime offers immediate relief for a wide range of investment through Full Expensing and the Annual Investment Allowance. To ensure the regime continues to support investment effectively, it is important that the rules are clear, certain and straightforward for businesses to apply.

Concerns raised by stakeholders

4.12 Whilst most businesses claim without difficulty, stakeholders have highlighted a number of areas where the rules can be difficult to apply in practice. In particular, businesses and advisers have pointed to complexity arising from the interaction of different types of allowance, distinctions between categories of expenditure, and uncertainty at the boundaries that determine whether particular costs qualify for allowances.

4.13 Through engagement with businesses and advisers, the government has identified the treatment of predevelopment costs as one of the areas where clarification of the rules could deliver the greatest practical benefit. The government recently consulted on this issue³ and published the summary of responses at Budget 2026. Respondents generally considered that the Supreme Court's judgment in *Orsted West of Duddon Sands (UK) Ltd and others v HMRC* [2026] clarified the treatment of the specific studies and surveys considered by the Court. However, many said uncertainty remains when applying the existing rules to other expenditure, particularly design and engineering costs, professional fees and expenditure serving more than one purpose. Respondents also highlighted practical difficulties in identifying and apportioning qualifying expenditure.

4.14 The government understands that some businesses, particularly those undertaking large-scale, capital-intensive investment – can face challenges accessing relief in a way that aligns with commercial investment patterns. In particular, interactions between capital allowances and the carried-forward loss restriction rules may influence how some companies choose to claim relief.

Areas for further consideration

4.15 Stakeholders have consistently identified the treatment of predevelopment costs as an area of uncertainty and administrative burden. In light of this feedback, the government considers that this should be a priority area for further exploration. The government is interested in exploring how the existing rules could be made clearer and easier to apply without changing their underlying boundaries. The

³ [Tax Treatment of Predevelopment costs](#)

government will explore improvements to guidance, including whether it is possible to include clearer principles, additional worked examples and more practical approaches to apportionment. If guidance alone cannot provide sufficient certainty, the government will consider whether targeted legislative changes could simplify the operation of the rules and support more consistent treatment. The government will engage further with stakeholders as this work develops.

4.16 In addition, the government is interested in exploring where there are opportunities to improve how the capital allowances system operates for businesses undertaking large-scale, capital-intensive investment. This consideration will need to balance a number of objectives. The government therefore intends to take an evidence-led and tightly focused approach, seeking views on where targeted improvements may be possible without undermining the broader simplification agenda or creating significant fiscal risk.

4.17 The government is also exploring how the capital allowances regime supports investment in agricultural infrastructure including glasshouses, polytunnels and on-farm reservoirs. In doing this the government will consider the economic and environmental impact of options, and benefits relating to domestic food production, and the support any options would provide to larger companies and smaller farms.

Patent Box

Purpose of the Patent Box

4.18 The Patent Box allows companies to elect to apply a 10 percent rate of Corporation Tax to profits attributable to the exploitation of qualifying intellectual property. The Patent Box is aimed at encouraging companies to commercialise products in the UK so that the UK economy benefits from associated high value jobs and growth.

Concerns raised by stakeholders

4.19 Stakeholders have raised concerns about the complexity of the Patent Box computation. It is considered that simplification in these areas would help improve compliance, reduce the administrative burden and support companies accessing the schemes.

Areas for further consideration

4.20 Stakeholders have highlighted a number of areas within the computation that can be difficult, particularly for smaller companies, to calculate such as the Marketing Assets Return, computational elections and notional royalty calculations. We will explore reducing the administrative burden on companies with an income below a de minimis by scoping them out of steps of the computation.

4.21 The Patent Box calculation currently includes a flat routine return deduction. We will explore reforming this to allow sector specific

percentages for the Routine Return. This will reflect differing sector needs and reduce the administrative burden on customers.

4.22 In the Patent Box calculation companies have to stream income. We will explore allowing companies to stream at higher levels than are currently available to reduce the level of administration needed.

Intangible fixed assets

Purpose of the Intangibles Regime

4.23 The UK Corporate Intangibles Regime in Part 8 of the Corporation Tax Act 2009 is a commercially aligned regime that generally follows accounting treatment when taxing intellectual property and other intangible assets. It is designed to reduce complexity and ensure that tax outcomes broadly reflect economic profits and losses. The government is interested in exploring whether further simplification and increased certainty can be achieved while maintaining the regime's effectiveness and competitiveness.

Concerns raised by stakeholders

4.24 Stakeholders have highlighted three areas where the current rules may create complexity or uncertainty:

- a) Relevant asset restrictions: relief is restricted in some cases, including for assets that would otherwise be deductible as revenue expenditure, and also where negative goodwill is taxed. Different accounting standards can also lead to different tax outcomes.
- b) Corporate partnerships: applying the Intangibles Regime, particularly related-party rules, to partnerships and their members can be complex and uncertain.
- c) IP licensing: the treatment of intellectual property licences can differ from the treatment of economically similar transactions, creating complexity and potential distortions.

Areas for further consideration

4.25 The government welcomes views on whether the definition of a "relevant asset" should be narrowed and whether greater flexibility could be provided where accounting standards produce differing outcomes. This could build on the Finance Act 2019 reforms and support investment and competitiveness.

4.26 Further, whether there are options to simplify the application of the regime to partnerships and increase certainty around related-party rules.

4.27 Also, whether alternative approaches should be considered for licensing IP, including treatment more closely aligned with equivalent transactions under the Capital Gains regime.

4.28 We are also open to understanding any further areas where the regime could be simplified, made more certain, or better aligned with commercial practice, though we note the potential that some reforms may involve trade-offs between simplification and complexity in different parts of the regime.

Chapter 5

A simpler, more modern Corporate Tax experience

Removing reporting requirements that no longer provide proportionate value, making processes easier to navigate, and using digital services and better administration to help businesses get their tax right first time.

CT administration modernisation

5.1 Alongside this work on simplifying the underlying Corporation Tax rules, the government is also conducting a Call for Evidence (CfE) on Modernising the Administration of Corporation Tax. That exercise explores how companies meet their Corporation Tax obligations in practice, including the processes they follow, the systems and software they use, and how they interact with HMRC.

5.2 The CfE seeks views on the long-term future of Corporation Tax administration and how technology, data and digital services could support a more modern, proportionate and effective system, helping to reduce unnecessary friction and duplication, improve trusted information flows, better align tax administration with accounting and business processes, and make it easier for companies to get things right first time. As part of this, the government will use the CfE to consider existing Corporation Tax reporting and information requirements, including where requirements may duplicate information available elsewhere, and whether there are opportunities to simplify or rationalise them while ensuring HMRC continues to have the information it needs to administer the tax system effectively.

5.3 The CfE also explores how advances in automation and artificial intelligence could support these objectives and what lessons can be learned from businesses already making use of these technologies. The government recognises that tax policy and tax administration are often closely connected and will consider the evidence gathered through both exercises together as it develops its longer-term approach to the future of Corporation Tax.

5.4 HMRC will also continue to offer a range of mechanisms that can provide certainty on tax matters. The Advance Tax Certainty Service

builds on these existing routes by providing a dedicated service for major investment projects, giving applicants a clear position on how HMRC will apply tax legislation to specified aspects of a project before significant investment decisions are made. The government is taking further action to broaden access to the service at this Budget by reducing the threshold for qualifying investment projects to £300m. The scope of the service will be reviewed after at least one year of operation with the intention of making changes to further improve the service.

Simplifying wider reporting requirements

Addressing Persistent Non-compliance

5.5 As announced at Budget 2026, the government will review its approach to addressing persistent non-compliance and egregious behaviour by a small minority of larger businesses. The review will consider whether the existing compliance framework for larger businesses, including the Special Measures regime and other tools available to HMRC, remains fit for purpose and proportionate to its aims. It will also consider opportunities to simplify and modernise existing requirements, including around Publication of Tax Strategies, to support compliant businesses and promote effective engagement with the tax system, while ensuring HMRC can respond effectively to higher-risk behaviours. The government will engage with stakeholders next year as it considers any potential changes.

R&D administration modernisation

5.6 The government will consider the design of the whole claims process. This could include integrating the existing forms to simplify the experience and eliminate duplication. A reengineered system could allow features such as customers who are completing forms being able to save their progress. Those who have submitted claims might be able to track the progress of their claims and of tax credit payments.

5.7 This work is at an early stage, but by involving stakeholders in the work HMRC can address problems at their root and prevent anomalies in design that cause difficulties for some claimants.

International movements of capital (IMOC)

Purpose of IMOC

5.8 The requirement to report certain transactions whose value exceed £100m in an IMOC report replaced the previous Treasury Consents legislation. The events or transactions must be reported to HMRC within 6 months to enable consideration of whether the event gives rise to a UK tax advantage.

Concerns raised by stakeholders

5.9 Stakeholders have questioned the necessity of completing separate filings (separate to company tax returns) for IMOC reports, highlighting it is burdensome to do so particularly given there is no impact on the tax liability of a company from the information provided. Stakeholders have also questioned the value of the data to HMRC, and are not clear what HMRC does with it.

Areas for further consideration

5.10 The government intends to repeal the current requirement for information to be provided in a separate format within 6 months of the transaction or event occurring. It will take stock of other reporting requirements and consider whether any of the information currently requested in IMOCs should be made available via existing/other reporting methods.

Annex A

Consultation privacy notice

Introduction

A.1 HM Treasury and HMRC are working collaboratively on this consultation and will both be handling the information included within your response. As such, this Privacy Notice provides information about how both organisations will handle your personal data.

A.2 This Privacy Notice should be read alongside HM Treasury's Personal Information Charter (<https://www.gov.uk/government/organisations/hm-treasury/about/personal-information-charter>). The Charter sets out:

- the standards you can expect from HM Treasury when we use your personal information;
- the contact details for our Data Protection Officer;
- how to exercise your Data Protection Information Rights (including access);
- how to exercise your right to complain to the Information Commissioner's Office.

A.3 Further information on HMRC's handling of personal data can be found within HMRC's overarching Privacy Notice (<https://www.gov.uk/government/publications/data-protection-act-dpa-information-hm-revenue-and-customs-hold-about-you/data-protection-act-dpa-information-hm-revenue-and-customs-hold-about-you>).

Data Controller

A.4 A data controller makes decisions about processing activities. They exercise overall control of the personal data being processed and are ultimately in charge of and responsible for the processing.

A.5 HMRC and HM Treasury will both be data controllers for responses to this consultation. Your responses will be collected initially by HMRC and will be shared with HM Treasury; this is because the consultation area is relevant to both organisations' functions and we will need to work collaboratively to ensure effective consideration of your responses.

Confidentiality

A.6 HMRC and HM Treasury are committed to protecting the privacy and security of your personal information. This privacy notice describes how we collect and use personal information about you in accordance with data protection law, including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act (DPA) 2018.

A.7 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018, UK General Data Protection Regulation (UK GDPR) and the Environmental Information Regulations 2004.

A.8 If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs or HM Treasury.

Data Processors

A.9 A data processor is an organisation or company that handles personal information on our behalf, following our instructions. Data processors do not use your information for their own purposes; they only process it as directed by us.

A.10 As the personal data is stored on our IT infrastructure, it will be accessible to our IT service providers. They will only process this personal data for our purposes and in fulfilment with the contractual obligations they have with us.

Who we process personal data about

A.11 The table below outlines the categories of individuals whose personal data we will process in this activity, alongside the types of personal data we will use.

Category of Individual	Types of Personal Data
Members of the public	Name Postal address (if provided)

Representatives of businesses or organisations	Email address
	Telephone number
	Job title and employer (where an individual is making representations on behalf of an organisation)
	Areas of interest and relevant technical expertise/experience related to the consultation topic
	Personal, or professional, opinion

A.12 We may also process special category data or data about criminal convictions, if you volunteer such information. Special categories of personal data may include:

- Data about racial or ethnic origin
- Political opinions
- Religious or philosophical beliefs
- Trade union membership

A.13 Respondents are asked not to include information that identifies them or others unless it is necessary for, and relevant to, their response. We do not ask respondents to provide special category data or criminal offence data for this activity. If you volunteer such information, we will process it to the extent necessary to consider your response and to retain accurate records of the responses we received.

Source of your personal data

A.14 Personal data of the individuals listed above will be collected in the following ways:

A.15 **Directly** – from Respondents (you) by HMRC

A.16 **Indirectly** – from HMRC by HM Treasury

Purpose and lawful basis

A.17 We will process your personal data for the following purposes and using the specified lawful bases:

Purpose	Lawful basis	Further information
Obtaining opinions about government policies, proposals, or an issue of public interest.	Article 6(1)(e) of the UK GDPR – Public task Article 9(2)(g) of the UK GDPR – Substantial public interest Schedule 1, Part 2, Paragraph 6(2)(b) of the Data Protection Act –	To help HM Treasury understand who has responded to this consultation and, in some cases, contact respondents to discuss their response.

	necessary in the exercise of a government department.	
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Who we share your personal data with

A.18 We will share your personal data with the following types of recipients:

- HMRC and HM Treasury staff and Ministers - who have a business need to access the data as part of the consultation process
- Other government departments – who have policy functions relevant to the consultation topic. Sharing in this context will ordinarily be anonymised unless information about the respondent is necessary to inform policy

A.19 Please be aware that if we receive correspondence or communication which we consider threatening in nature or suggests a possible risk to you or a third party, we may share this correspondence (along with your personal data) with relevant law enforcement / safeguarding authorities.

International Transfers

A.20 Your personal data will not be transferred to an international recipient during this activity.

How long we hold your personal data

A.21 HM Treasury will retain your personal data only for as long as necessary to fulfil the purposes for which it was collected.

A.22 For consultations and calls for evidence, personal data will typically be held for the duration of the consultation and a reasonable review period.

A.23 Your personal data will be kept for 6 years and will then be deleted.

Automated decision-making and profiling

A.24 This activity does not involve automated decision making or profiling. This means that decisions which may affect you are not made solely by automated means without human involvement, and your data is not subject to analysis intended to evaluate or predict aspects such as your behaviour, preferences, or interests.

Your Rights

A.25 You have the right to request information about how your personal data are processed, and to request a copy of that personal data.

A.26 You have the right to request that any inaccuracies in your personal data are rectified without delay.

A.27 You have the right to request that any incomplete personal data are completed, including by means of a supplementary statement.

A.28 You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.

A.29 You have the right in certain circumstances (for example, where accuracy is contested) to request that the processing of your personal data is restricted.

A.30 For further information on your rights, how to make a Complaint, or how to contact HMRC and HM Treasury's Data Protection Officers please refer to the [HMRC Privacy Notice](#) and HM Treasury [Information Charter](#).

Annex B

Areas in scope

Box 1.A Areas government is interested in exploring further with stakeholders

Making it easier to invest and innovate

- Research and development reliefs
- Capital allowances
 - Predevelopment costs
- Patent box
- Intangibles regime
 - Relevant assets
 - Corporate partnerships

Simpler and more certain rules for financing and international activity

- Treaty relief from withholding tax on interest
- Controlled Foreign Companies rules
- Anti-hybrid mismatch rules
- Interest deductibility
 - Unallowable purpose
 - Corporate interest restriction

A simpler, more modern Corporate Tax experience

- CT administration modernisation
- Simplifying wider reporting requirements
- Research and development administration modernisation
- International movement of capital

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

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