

Taxation Committee

Room 3/63
CT Losses, CTIS
HMRC
100 Parliament Street
London
SW1A 2BQ

18 August 2016

Dear Corporate Tax Team

REFORMS TO CORPORATION TAX LOSS RELIEF

Whilst we welcome the opportunity to comment on HMT's above named consultation, we are concerned that there is a risk the current volume of consultations are overburdening the process. This is beginning to undermine the ability of business to contribute effectively to important issues.

Who we are

The 100 Group of Finance Directors represents the views of the finance directors of FTSE 100 and several large UK private companies. Our member companies represent around 90% of the market capitalisation of the UK FTSE 100 Index, and in 2015 paid, or generated, taxes equivalent to 14% of total UK Government receipts. Our aim is to contribute positively to the development of UK and international policy and practice on matters that affect our businesses, including taxation, financial reporting, corporate governance and capital market regulation.

Our views

We agree with the Government's objective to make the UK corporate tax regime the most competitive in the G20 and provide the right conditions for businesses to invest. We have not responded to the detailed questions in the consultation, but we do have some serious concerns about certain aspects of the proposal which we highlight below:

- The outcome of the EU referendum and the broader economic context have resulted in other countries competing with the UK to attract investment. We question whether this is the appropriate time for new rules to be introduced that are likely to affect businesses' investment decisions. Whilst revenue will be raised through profitable businesses paying tax (despite having brought forward losses) the potential lost revenue through loss of investment should also be considered.
- In 2015 members of the 100 Group spent £30.3 billion on capital investment (16.8% of the UK expenditure) and invested £8.7 billion in research and development. It is likely any tax relief for UK interest and losses was a key facet of the business case assessments supporting these investments. Restricting the timing of the availability of losses that arose on historical investment decisions is retrospective legislation and we strongly urge the Government to consider ring-fencing historic losses that have arisen on investments pre-dating the proposed legislation.

We would be very happy to discuss our submission with you in more detail. Please do get in touch if you wish to discuss this further with me and the Committee.

Yours sincerely,

Andrew Bonfield *Chairman, Taxation Committee*