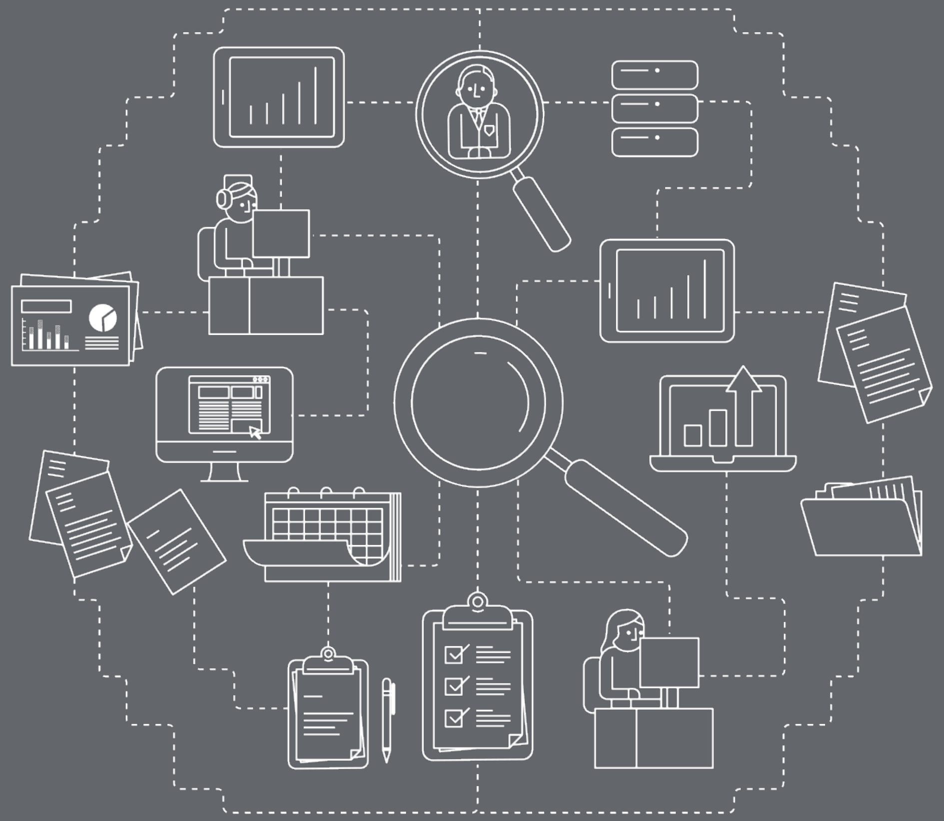
Private & Confidential

May 25, 2022



GLOBAL M&A SERIES

Presented by – Mitch Siegel, James Hunt, Hannah Lloyd, Vinod Keshav and Charlotte Clifford Evans

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contact details

James Hunt
Transactions Tax Partner - RSM UK

+44 (0)12 1214 3359
james.hunt@rsmuk.com

Hannah Lloyd
Tax Partner - RSM UK

+44 (0)23 8064 6478
hannah.lloyd@rsmuk.com

Vinod Keshav
Corporate Tax Partner - RSM UK

+44 (0)14 8330 7037
vinod.keshav@rsmuk.com

Charlotte Clifford Evans
Tax Director - RSM UK

+44 (0)20 3201 8194
charlotte.cliffordevans@rsmuk.com

Mitch Siegel
International Tax Partner - RSM US

+1 212 372 1732
mitch.siegel@rsmus.com

Introduction

In the constantly evolving world of international tax, with the added complexity of the global pandemic, businesses operating in the U.K. have also had the additional complexities of Brexit to challenge them.

Multinational enterprises trading in or investing into the U.K. have had many changes to contend with in recent years and even those experienced in the U.K. market have many questions about what exactly has changed, how they should be structuring their investments and how best to manage their risk.

We'll consider:

- What are the opportunities and pitfalls to be aware of when investing into the U.K.?
- Does the U.K. still work as a holding company jurisdiction?
- How should multinationals structure their intellectual property ownership?
- What should you know about U.K. governance rules when buying or owning a U.K. business?

Join our expert panel as they discuss the most up to date changes in U.K. tax and how these interact in the global marketplace.

What are the opportunities and pitfalls to be aware of when investing into the UK?

01

Investing into the UK – Opportunities and pitfalls

The overall UK tax framework

1 “Open for business”

- Low (but increasing) tax rate: 19 percent to 25 percent from April 2023
- Investment incentives to reduce tax base

2 Mature tax system

- Established but complex legislation…
- …so a need for quality advisors to help navigate it!

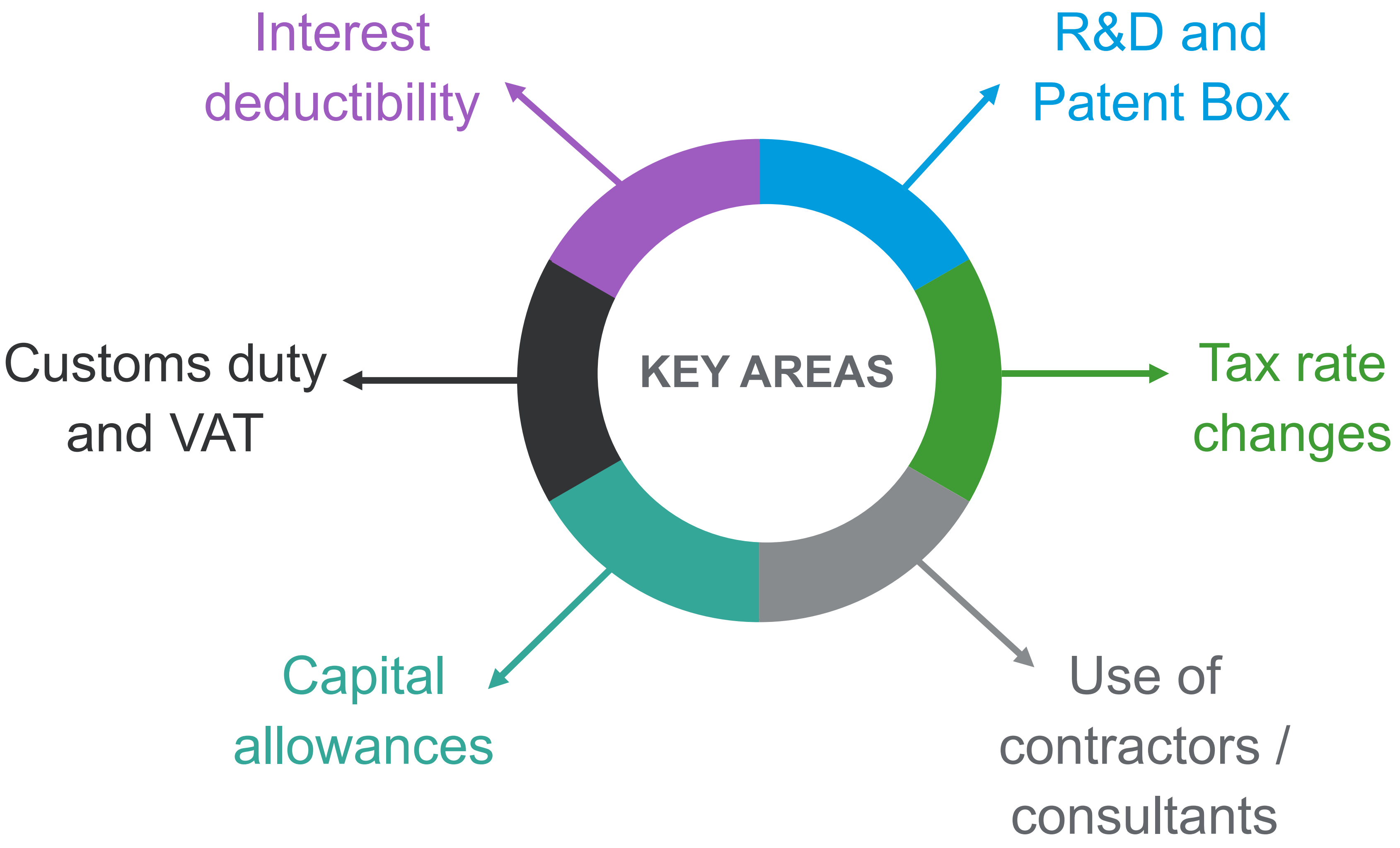
3 Tax authority style

- Limited resource, leading to a “risk-based” approach
- Becoming more sophisticated
- Rulings available

4 Compliance focus

- Automation of reporting and data analysis
- Increasing amount of tax filing requirements

Investing into the UK – Opportunities and pitfalls



Does the UK still work as a holding company jurisdiction?

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Does the UK still work as a holding company jurisdiction?

Challenging developments in recent years

- Brexit
- Main rate of corporation tax increase
- VAT recovery challenges
- Complex tax legislation introduced
  - Hybrids mismatches – effective Jan. 1, 2017
  - Corporate interest restriction – effective April 1, 2017
  - Loss carry-forward restriction – effective April 1, 2017

Does the UK still work as a holding company jurisdiction?

Reasons to be cheerful

- Brexit
  - Comprehensive treaty network
  - Double tax treaty passport scheme
  - Self assessment option for certain royalty payments
- Main rate of corporation tax increase
  - Lowest in G7 (bar Russia…)
  - Comparable with other favourable regimes
  - Anti-tax avoidance directive III (ATAD 3)

Does the UK still work as a holding company jurisdiction?

Features attractive to holding companies

- Substantial shareholding exemption
  – Further easements - effective April 1, 2017
- Dividend exemption
- No withholding taxes (WHT) deducted at source on dividends paid from the U.K.
- Extensive controlled foreign company (CFC) exemptions
- No expiry date on losses carried forward
- Asset holding company regime - effective April 1, 2022
- Non-tax factors

How should multinationals structure their intellectual property ownership?

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How should multinationals structure their intellectual property ownership?

Increasing need for alignment between IP ownership and related functions

Traditional structures

- Low tax
- Low substance

Future structures

- 15 percent minimum tax
- “Right” substance

Continued change in international tax law

How should multinationals structure their intellectual property ownership?

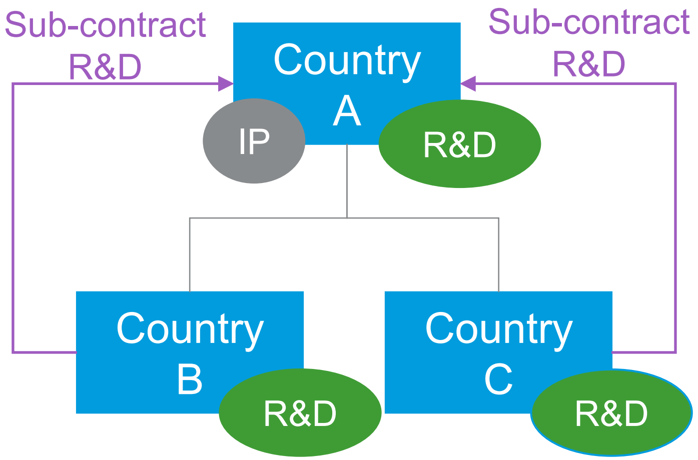
Increasing need to continually reassess and restructure supply chains and business operating models

- Technology and data
- Economic factors
- Political factors
- ESG
- Hybrid working

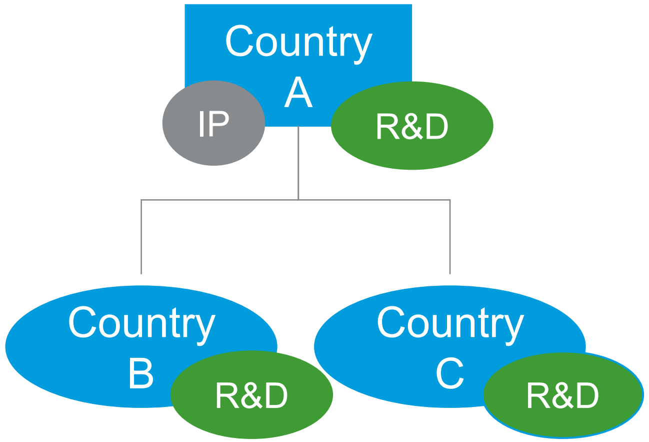
Continued change in business environment

What do future IP ownership structures look like?

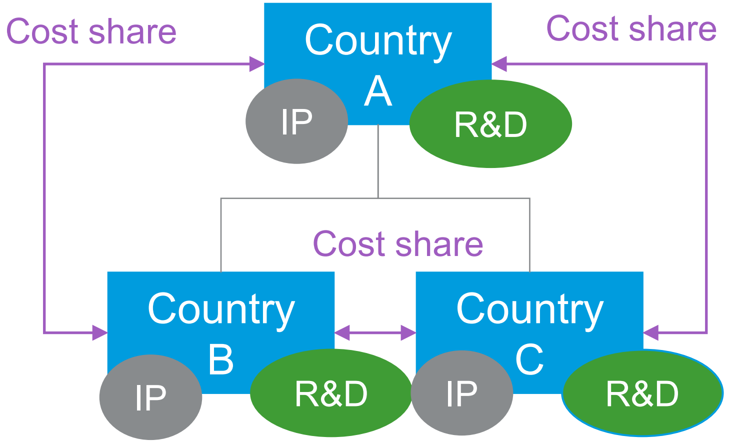
Centralised ownership



Mixed ownership



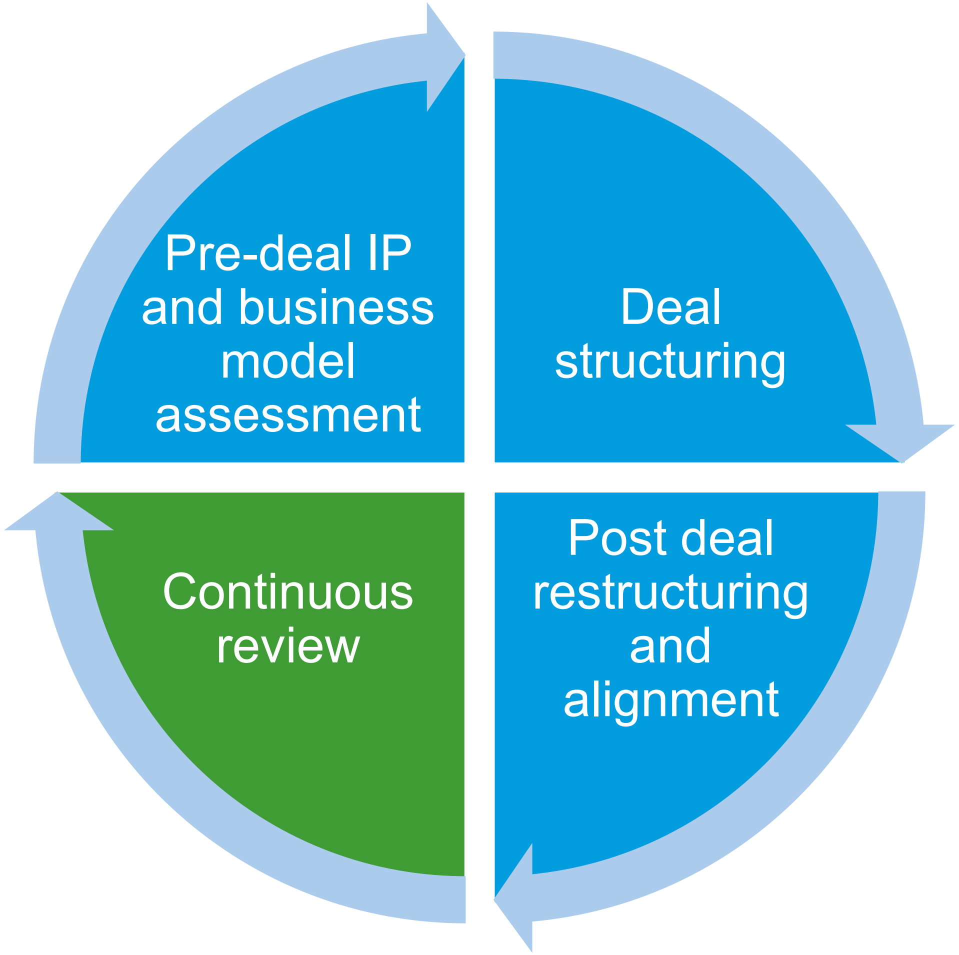
De-centralised ownership



Multinational IP ownership structures cannot be designed in isolation. It also needs to be aligned with and form part of a broader business model design. One that is 'sustainable and flexible'!

What does this mean from a deals perspective?

It is important to get in early with the right specialists, to minimise risk and maximise opportunities.



What should you know about UK governance rules when buying or owning a UK business?

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Investing in UK: Tax governance requirements for all

Criminal corporate offence of failing to prevent the facilitation of tax evasion (Criminal Finances Act 2017)

- No *de minimis AND* Applies to all incorporated taxpayers
- Your business is criminally liable where it **fails to prevent**
  - those who act on it's behalf from **criminally facilitating**
  - the **tax evasion** of third parties

CCO

- This criminal offence hinges upon the tax affairs of a third party
- More about behaviour change…. no cases have gone to court yet
- Hot topic for investors
- Criminal proceedings, unlimited fines, reputational damage, whistle blowers
- No one wants to be the first case to go to court

CCO: Failure to prevent facilitation of tax evasion

Only defence is that the business has **reasonable prevention procedures:**

Her Majesty's Revenue and Customs (HMRC) relationship with “large business”

Aggregated turnover greater than £200 million, or

balance sheet total greater than £2 billion

- **Senior accounting officer**
  - Only U.K. incorporated companies
  - Annual filing
  - Main duty: to establish and maintain appropriate tax accounting arrangements
  - Personal penalties
- **Publish a UK tax strategy**
  - Applies to U.K. groups, sub-groups, companies and partnerships
  - Published online annually
- **HMRC Business Risk Review (“BRR+”)**
- **Notify HMRC where uncertain tax treatment adopted**
  - Applies to U.K. companies, partnerships and overseas companies with a U.K. permanent establishment
  - Only reportable if tax advantage exceeds a £5 million threshold and NOT already discussed with relevant HMRC officer

Q&A

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Thank you