30 Monck Street
London SW1P 2AP
T: +44 (0)20 7340 0550
E: technical@ciot.org.uk

Open for business: implementing a UK corporate re-domiciliation regime
Comments by the Chartered Institute of Taxation

1. Introduction

1.1. We refer to the consultation on the design of a UK framework for a corporate re-domiciliation regime in March 2026. Our comments focus on the changes that may be required to tax legislation in paragraphs 47 to 49 of the consultation document.

1.2. Our objectives are for a tax system that includes:

- a legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences;
- greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- greater certainty, so businesses and individuals can plan ahead with confidence;
- a fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented); and
- a responsive and competent tax administration, with a minimum of bureaucracy.

2. Report of the Independent Expert Panel

2.1. As noted in the consultation document, section 6 of the Panel's Report[1] commented on several potential tax aspects of a re-domiciliation regime, as did the consultation[2] before it, including around corporate tax residence, base costs of assets following re-domiciliation and exit taxation, controlled foreign companies, loss importation, foreign branch exemption and withholding taxes. The Panel's Report also considers personal taxation around non-UK domiciliaries and inheritance tax as well as SDRT, VAT and Customs and excise duties.

2.2. Broadly we agree with the conclusions of the Panel's Report and agree that there are challenges around things such as historic losses, exit charges and re-basing that will need to be considered in due course, and we agree with the general principles set out in the report. It is important to remember that a new regime will have to work, and be attractive, for all companies and affected taxpayers that may wish to avail themselves of it, and this population will include companies within groups of large businesses as well as small, family companies

[1] Report of the UK independent expert panel - published in October 2024
[2] Consultation in October 2021 and summary of responses published in April 2022 Corporate re-domiciliation - GOV.UK; CIOT response - Corporate Re-domiciliation | Chartered Institute of Taxation

with individuals and trusts as shareholders. Below are some initial observations on the Panel's Report's conclusions around taxation.

2.3. Paragraph 6.23 of the Panel's Report recommends uplift in base cost of assets to market value on re-domiciliation into the UK. It is suggested that this would result in deemed disposal at market value (mentioned in paragraph 6.29), with any resulting gains taxed on participators under Taxation of Chargeable Gains Act 1992 (TCGA) section 3. This could be a significant disincentive for small companies to redomicile. While recognising the simplicity and consistency point made in the Panel's Report, we suggest that consideration is given to permitting an election not to rebase assets.

2.4. Paragraph 6.39 seems to suggest that continuing payments (say of interest) by a company that has redomiciled would not be treated as having a UK source, saying that this should be clarified in HMRC's guidance. That would be welcome, for example, for someone who comes to the UK and is able to benefit from the FIG regime who holds bonds issued by a non-UK company which then redomiciles. However, it seems unlikely to us that this outcome can be achieved by guidance and suggest that it would need to be provided for in primary legislation. Although re-domiciliation in isolation may not change the source of the interest, from a practical perspective, if the company is then based in the UK and operating from the UK, it seems quite likely that the source could change looking at the multi-factorial test which must be applied.

2.5. Paragraph 6.52 of the Panel's Report notes an issue for individuals who have used unremitted foreign income/gains to acquire shares or other interests in a non-UK company and for individuals who benefit from the FIG regime thinking they held a non-UK asset for capital gains tax purposes (giving rise to non-UK source income). For remittance purposes, a solution would be to treat the interests in the company as still being non-UK assets (sort of the reverse of TCGA sections 138ZA-ZC). In our view, relying on business investment relief (BIR) is not a solution given the well-known difficulties with this relief and, since the Panel reported, changes to the rules mean that BIR is undergoing significant changes, including the end of new claims and the introduction of new rules for existing investments phasing it out from 2028. A possible solution for those within the FIG regime maybe that they could be deemed to have disposed of their interest immediately prior to re-domiciliation (with an election to disapply this).

2.6. Paragraphs 6.56 and 6.57 consider inheritance tax specifically, recognising that bringing interests in companies which re-domicile into the UK within the scope of UK IHT for all non-residents who do not have treaty protection (and there only ten estate tax treaties) would be a significant disincentive. Any changes that are made in relation to inheritance tax would need to reflect the changes that took effect from 6 April 2025. But broadly, we suggest that a solution may be to deem the companies to remain non-UK property after re-domiciliation for inheritance purposes. A time limit could be included, and the assets will come within the scope of inheritance tax in any event if the owner becomes a long-term resident.

2.7. Paragraphs 6.66 to 6.70 consider VAT. Most of the comments on VAT are not controversial. However, we suggest that the point raised in paragraph 6.69 around VAT 'entry' charges is probably an unnecessary complication because in our view the mischief identified is unlikely to arise in practice. Re-domiciling a business from a location where there is a low VAT rate or no VAT regime to the UK is a decision that would need to be taken for a variety of commercial factors – in our members' experience most businesses that are in low / no VAT countries are located there not because of VAT; it is more likely to be regulatory or for client / customer reasons.

2.8. A VAT entrance charge could create uncertainty over re-domiciliation costs and risk deterring viable projects for exempt and partially exempt sectors where irrecoverable VAT costs could be significant. This would weaken the UK's attractiveness as a re-domiciliation destination, contrary to the overall aims of the proposed regime.

An entry charge would also be contract to the broad principle set out at paragraph 6.14 of the Panel's Report, that an inward re-domiciliation should not give rise to a UK tax charge on the company on entry to the UK. We suggest, therefore, that there should be further consultation to consider the circumstances in which a VAT entry charge could be triggered as well as any overlap with existing anti avoidance provisions. The introduction of any entrance charge should be based on evidence of the anticipated abuse and demonstrating that existing anti-avoidance measures are ineffective.

3. Depositary interest structure

3.1. The consultation document, at paragraph 48, raises a specific question about the depositary interest structure and potential charges to stamp duty reserve tax (SDRT). The consultation document asks whether a special exemption is required to avoid a double charge.

3.2. It is not clear to us how a double charge to SDRT would arise. Our understanding is that depository interests in foreign company shares are exempt from SDRT under The Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities) Regulations 1999. In addition, the underlying shares are foreign shares which are not usually kept on a UK register and would not be chargeable securities. Therefore, there is no SDRT while the company is not domiciled in the UK. Once the shares are listed directly following a re-domiciliation, SDRT would become relevant, but we agree with the conclusion in paragraph 49 that it would be the new shares that would be within scope of SDRT, and no double charge would arise.

4. About us

4.1. The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 20,000 members, and extensive volunteer network, in providing our response.

4.2. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

4.3. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

4.4. The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.

4.5. Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

5. Acknowledgement of submission

5.1. We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation
18 June 2026