

EXPLANATORY MEMORANDUM TO
THE CORPORATE INTEREST RESTRICTION (ELECTRONIC
COMMUNICATIONS) REGULATIONS 2022

2022 No. 770

1. Introduction

1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs (HMRC) and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument provides that certain notices and returns relating to the Corporate Interest Restriction (CIR) must be sent via an approved method of electronic communication.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6. Legislative Context

6.1 This instrument is made by the Commissioners for HMRC in exercise of the powers conferred by sections 135 and 136 of the Finance Act 2002 and paragraph 3 of Schedule 7A to the Taxation (International and Other Provisions) Act 2010 (TIOPA).

6.2 The CIR rules at Part 10 and Schedule 7A of TIOPA follow the Organisation for Economic Co-operation and Development (OECD) recommendations on how to tackle Base Erosion and Profit Shifting (BEPS). They impose a limit on tax deductions for interest expense and other finance costs. This provides protection against multinationals using financing arrangements to minimise United Kingdom taxable profits.

6.3 Schedule 7A of TIOPA provides that certain notices and returns can or must be submitted to HMRC. Of these, the following are the subject of these regulations:

- a notice appointing a reporting company
- a notice revoking the appointment of a reporting company
- an interest restriction return
- a revised interest restriction return

- 6.4 Paragraph 3 of Schedule 7A of TIOPA allows the commissioners of HMRC to make regulations regarding the form and manner in which such an appointment or revocation may be made.
- 6.5 Sections 135 and 136 Finance Act 2002 enables HMRC to make regulations requiring the electronic delivery of documents relating to a taxation matter.

7. Policy background

What is being done and why?

- 7.1 The CIR rules allow or require certain notices and returns to be submitted to HMRC. HMRC has previously accepted CIR documents through a number of different channels. This has led to duplication of effort for customers unsure of the best submission route, inefficiencies for HMRC in processing the documents, and an increased risk that errors in the documents will remain undetected.
- 7.2 HMRC has developed two methods for electronically submitting documents.
- 7.3 This instrument mandates the use of electronic delivery by methods approved by HMRC. This will provide certainty to customers that submissions have been successful and increase HMRC's efficiency in locating and processing documents.
- 7.4 The documents that may only be submitted by these methods are:
- a notice appointing a reporting company
 - a notice revoking the appointment of a reporting company
 - an interest restriction return
 - a revised interest restriction return
- 7.5 Such documents submitted by any other means will not be validly submitted.
- 7.6 Commissioners' directions will be made and published on GOV.UK before this instrument takes effect and will provide details of the forms by which the specified information may be provided. They will reflect the draft version previously published on GOV.UK.
- 7.7 The requirement to use the approved electronic delivery methods applies to all specified documents submitted to HMRC from 1 September 2022. This includes documents relating to periods of account ending before that date.

8. European Union Withdrawal and Future Relationship

- 8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

- 9.1 This instrument does not amend existing regulations.

10. Consultation outcome

- 10.1 No substantive changes have been made to the draft regulations following their publication on GOV.UK.
- 10.2 User research was conducted in developing the two electronic delivery methods. The intention to require the use of either of these methods was discussed during the user

research process and published in articles in HMRC's 'Agent Update', the latest article being on 16 March 2022.

11. Guidance

- 11.1 HMRC plans to update guidance on GOV.UK and in its Corporate Finance Manual by 1 September 2022.

12. Impact

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is no, or no significant, impact on the public sector.
- 12.3 A Tax Information and Impact Note covering this instrument will be published on the website at: <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

13. Regulating small business

- 13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

- 14.1 The approach to monitoring of this legislation is through information collected in respect of electronic submissions and through communication with affected customers.
- 14.2 As this instrument is not made by a Minister of the Crown, no review clause is required.

15. Contact

- 15.1 Jackie Phillips at HMRC (email: financialproductsbai@hmrc.gov.uk) can be contacted with any queries regarding the instrument.
- 15.2 Richard Thomas, Deputy Director for Financial Products and Services at HMRC can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 The Rt Hon Lucy Frazer QC MP, Financial Secretary to the Treasury can confirm that this Explanatory Memorandum meets the required standard.