

Written Ministerial Statement

Anti-Avoidance: Tax Treaties

The Exchequer Secretary to the Treasury (Mr David Gauke): On 1 August HMRC published for consultation a technical note and draft legislation outlining a proposed approach to combating tax avoidance arrangements which exploit the provisions of double taxation agreements (DTAs). The responses so far received have made it clear that the proposed legislation, as drafted, could cause significant uncertainty for compliant UK businesses and overseas investors about its intended scope and its practical effect.

The Government is committed to providing certainty to taxpayers and acknowledges the concerns raised in the responses to the consultation. It has therefore decided not to proceed further with the consultation on the proposed legislation and will not include it in Finance Bill 2012.

The Government will continue to challenge specific arrangements that clearly seek to abuse provisions in a DTA.

This decision reaffirms the Government's commitment to open and transparent consultation and demonstrates the value of consultation. The Government's approach set out in its Tax Consultation Framework has been widely welcomed by business and others as providing a much improved basis for developing new legislation. If the Government concludes in the future that alternative approaches for legislating against Treaty abuse are necessary, it will consult on these alternatives in line with the Tax Consultation Framework.

HM Treasury
9 September 2011