

Corporate Interest Restriction



Why now?

- The Corporate Interest Restriction (CIR) rules have been in place for a number of years and apply to virtually all UK companies.
- The rules are complex and can be difficult to apply in practice as it is easy to get the calculations wrong.
- We have now gone beyond the point where earlier returns are still open to amendment, so deadlines for filing returns to gain access to CIR attributes are now arriving, and unused carried forward capacity will start to lapse.

- Other territories have introduced their own broadly equivalent rules, meaning that for multinational groups an assessment of the most efficient capital structure becomes increasingly complex.

What are the risks if you get this wrong?

- Failure to file reporting company notifications can have an impact on the ability to file returns, may lead to penalties, and could lead to HMRC making their own determinations.
- Errors in CIR returns may lead to penalties and added time/cost for correcting, re-filing returns and computations etc.
- If not considered early enough, opportunities to optimise the position may be missed. Errors in the calculations are also significantly more likely.

What are the benefits of getting this right?

- CIR returns and associated Corporate Tax computations and returns are less likely to include errors and help mitigate the risk of penalties.
- You are more likely to be able to identify opportunities to maximise interest deductibility.

What do we advise on?

- Overall interest deductibility including the CIR position.
- Assess the optimum use of CIR elections.
- CIR implications of commercial transactions – e.g. M&A.
- CIR modelling.
- Preparation of CIR calculations.
- Review of client prepared calculations.

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