Katten
Katten Muchin Rosenman LLP
CORPORATE & FINANCIAL
WEEKLY DIGEST

Corporate & Financial Weekly Digest

Posted at 2:34 PM on July 2, 2010 by Andrew Turner

UK Government Announces 2009-10 Budget Tax Changes

The newly-elected UK Government announced its first Budget on June 22. Key provisions include:

1. Capital Gains Tax is increased to a top rate of 28%, from a flat rate of 18%, with effect from midnight on June 22.
2. The introduction of a UK levy on banks (including the UK branches and subsidiaries of foreign banks). The levy will take effect on January 1, 2011, and will initially be charged at a rate of 0.04% on the total liabilities of the bank or branch (subject to certain exclusions). The rate will be increased to 0.07% on January 1, 2012. In order to encourage longer-term borrowings (perceived as less risky), liabilities with longer than a year to maturity will be taxed at half the standard rate. There will be the following exceptions to the levy: (i) Tier 1 capital (i.e. equity); (ii) insured retail deposits; (iii) repos secured on sovereign debt; and (iv) policyholder liabilities of retail insurance businesses within banking groups. Banks or branches with relevant liabilities below £20 billion (approximately $30 billion) will also be exempt from the levy.
3. In relation to asset management, the UK Government intends to: (i) implement the UCITS IV rules; (ii) establish tax transparent contractual funds along the lines of those currently offered by Ireland and Luxembourg; and (iii) consult on rules designed to reform the taxation of UK authorized investment trust companies and UK authorized funds investing in offshore funds (the budget gave no details of these reforms).

Read more.

Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC