



**ATLAS**  
BY BNP PARIBAS

**CASH MANAGEMENT**

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**BNP PARIBAS**

The bank  
for a changing  
world

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Though the UK economy has been seen to be lagging in the last quarter of 2024, the IMF modestly raised its forecast for British growth for 2025 by 0.1 to 1.6%, thanks to rising household incomes, Bank of England rate cuts, and greater public investment outweighing headwinds created by higher taxes.

Business investment is predicted to accelerate in 2025, with rising business confidence and spending, alongside improved economic conditions, setting the stage for a return to growth.

The UK's period of economic stagnation drew to a close by the end of 2024. Falling inflation and interest rates, alongside tax cuts, should help unlock growth in consumer spending, house prices and real incomes should have provided stepping stones to a brighter 2025. The bank rate cuts are expected to create a more positive environment for business investment and reduce existing business debt costs.

## Summary

### BNP Paribas presence

BNP Paribas has been present in the UK for more than 140 years, and employs approximately 7,000 people, with business centres in London and Manchester. Customers are supported through their corporate business centre in London. The bank provides domestic banking services to support its UK corporate clients as well as foreign multinational clients of the BNP Paribas group. In Corporate and Investment Banking, BNP Paribas ranks as a leader across capital markets, advisory and financing businesses.

## Currency

### Currency

- Pound sterling (GBP).

### Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: GBP per USD	0.741	0.777	0.750	0.783	0.78

Source: IMF, International Financial Statistics, July 2021.

## Central Bank

- The United Kingdom's (UK) central bank is the Bank of England ([www.bankofengland.co.uk](http://www.bankofengland.co.uk)).

### Bank accounts

## Resident / non-resident status

- A company is generally considered resident in the UK if its place of effective management is located in the UK.

### Bank Supervision

- The Financial Conduct Authority (FCA – [www.fca.org.uk](http://www.fca.org.uk)) is responsible for policing the City of London and the financial sector.
- The Prudential Regulation Authority (PRA), part of the Bank of England, is responsible for the supervision of the banking sector. (PRA – [www.bankofengland.co.uk/pru/Pages/default.aspx](http://www.bankofengland.co.uk/pru/Pages/default.aspx)).
- All other responsibilities, which were previously the responsibility of the now obsolete Financial Services Authority, have been assumed by the Bank of England's Financial Policy Committee.
- UK Government Investments (UKFI – [www.ukgi.co.uk](http://www.ukgi.co.uk)) is responsible for managing the UK government's shareholdings in banks which have received government funding.

## Bank accounts for resident entities

	Within UNITED KINGDOM	Outside UNITED KINGDOM
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Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.

## Bank accounts for non-resident entities

	Within UNITED KINGDOM	Outside UNITED KINGDOM
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	<ul style="list-style-type: none"> <li>• Permitted without restriction, fully convertible.</li> </ul>

## Lifting fees

- Lifting fees are not applied on payments between resident and non-resident accounts.

## BNP Paribas Cash Management Capabilities

### Collections

Cash collections	✓
Cheque collections	✓
Direct debit collections	✓
Domestic incoming transfers	✓
Virtual IBAN	✓
Virtual accounts	✓

International incoming transfers	<input checked="" type="checkbox"/>
Card acquiring	<input checked="" type="checkbox"/>

## Payments

Cash withdrawals	<input checked="" type="checkbox"/>
Cheque payments	<input checked="" type="checkbox"/>
Direct debit payments	<input checked="" type="checkbox"/>
Domestic outgoing transfers	<input checked="" type="checkbox"/>
Commercial cards	<input type="checkbox"/>
Virtual cards	<input checked="" type="checkbox"/>
International outgoing transfers	<input checked="" type="checkbox"/>
SWIFT gpi	<input checked="" type="checkbox"/>
Real-time international payments through BNP Paribas' network	<input type="checkbox"/>
Card issuing	<input type="checkbox"/>

## Channels

Local e-Banking	<input type="checkbox"/>
Global e-Banking - Connexis	<input checked="" type="checkbox"/>
SWIFT/ host to host	<input checked="" type="checkbox"/>

### Market overview

In 2020, cash transactions accounted for 17% of all payments. Electronic credit transfers are the most common payment method used by companies for supplier and payroll payments while direct debits are used to collect regular payments, from both other businesses and consumers. Fifty-nine percent of payments by consumers were made by card in 2020 (56% in 2019), with debit cards are the most popular payment method. Contactless payments accounted for 41% of all credit card and 60% of debit card transactions in the UK in December 2020, and a quarter of all UK payments in 2020. Eight-eight percent of debit cards have contactless functionality.

Electronic banking services are available from all banks. There is no national electronic banking system in the UK, so companies use banks' proprietary services. Transaction and balance reporting, automated end-of-day sweeping, and some transaction initiation services are available on a domestic and cross-border basis.

Online and mobile banking has been widely adopted by both consumers and businesses in the UK. Figures suggest that over 70% of UK residents used online banking in 2020. The high number of challenger banks (42 as of December 2020) is driving the adoption of digital banking services.

### Payment Systems

CHAPS	Type	<ul style="list-style-type: none"><li>• Real-time gross settlement.</li></ul>
	Participants	<ul style="list-style-type: none"><li>• 35 direct.</li></ul>
	Transaction types processed	<ul style="list-style-type: none"><li>• High-value and urgent GBP-denominated electronic credit transfers.</li><li>• Net obligations from the UK's other payment systems.</li></ul>
	Operating hours	<ul style="list-style-type: none"><li>• 06:00–18:00 GMT/BST, Monday to Friday</li></ul>
	Clearing cycle details (e.g cut-off times)	<ul style="list-style-type: none"><li>• Payments cleared and settled in real time.</li><li>• Customer payment cut-off time = 17:40 GMT/BST.</li><li>• Interbank payment cut-off time = 18:00 GMT/BST.</li></ul>
	System holidays	All bank holidays to be found on: <a href="https://www.gov.uk/bank-holidays">https://www.gov.uk/bank-holidays</a>

BACS	Type	<ul style="list-style-type: none"> <li>• Multilateral net system.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 27 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• Low-value, electronic GBP-denominated credit and debit payments (typically company payroll, government benefits and pensions).</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• 07:00– 22:30 GMT/BST, Monday to Friday.</li> </ul>
	Clearing cycle details (e.g cut-off times)	<ul style="list-style-type: none"> <li>• 3 Day Clearing Cycle.</li> <li>• Payments can be submitted to BACS until 22:30 GMT/BST (day 1 of the clearing cycle) via the secure online service BACSTEL-IP.</li> <li>• Settlement takes place at 09:30 GMT/BST on day 3 of the clearing cycle.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• BACS is closed at weekends and on all UK bank holidays.</li> </ul> <p>All bank holidays to be found on:</p> <p><a href="https://www.gov.uk/bank-holidays">https://www.gov.uk/bank-holidays</a></p>
FPS	Type	<ul style="list-style-type: none"> <li>• Multilateral <a href="#">net settlement system</a>.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 35 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• Automated one-off, GBP-denominated payments initiated online or by telephone-banking, as well as standing orders.</li> <li>• There is a maximum limit of GBP 1,000,000 for all payments.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• 24 hours a day, 7 days a week.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>• None.</li> <li>• Online or telephone-initiated retail transactions are settled in near real time via VocaLink Immediate Payments, while standing orders are settled on a same-day basis.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• FPS operates 24 hours a day, 7 days a week.</li> </ul>
C&CCC	Type	<ul style="list-style-type: none"> <li>• Multilateral net settlement.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 20 direct.</li> </ul>



	Transaction types processed	<ul style="list-style-type: none"> <li>• Paper-based GBP -denominated transactions (cheques and banker's drafts).</li> <li>• Transactions in England, Scotland and Wales are processed by the C&amp;CCC.</li> <li>• Paper-based clearing in Northern Ireland is carried out by the Belfast Bankers' Clearing Company.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• 24 hours a day, Monday to Friday.</li> </ul>
	Clearing cycle details (cut-off times)	<ul style="list-style-type: none"> <li>• GBP-denominated payments are processed in batches. Settlement takes place by 23:59 GMT/BST on day two of the clearing cycle.</li> <li>•</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• The C&amp;CCC is closed on all UK bank holidays. (Dates as above)</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 5 clearing banks plus approximately 60 agency banks.</li> </ul>
	Currency Clearings Committee (operated by C&CCC)	<ul style="list-style-type: none"> <li>• USD-denominated cheques, mandated currency debts and banker's drafts.</li> </ul>
	Clearing cycle details (cut-off times)	<ul style="list-style-type: none"> <li>• Clearing takes place at five clearing banks in the City of London.</li> <li>• Payments submitted before 14:00 GMT/ BST are cleared on a same-day basis.</li> <li>• Payments submitted before 14:00 GMT/ BST are cleared on a next-day basis.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• The C&amp;CCC is closed at weekends and on all UK bank holidays. <ul style="list-style-type: none"> <li>◦ 2nd half 2021: 30 August, 27, 28 December.</li> <li>◦ 2022: 1 January, 2, 5 April, 3, 31 May, 30 August, 27, 28 December.</li> </ul> </li> </ul>

## Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.
- High-value and urgent GBP-denominated domestic credit transfers are settled in real time via CHAPS. (The Bank of England has announced plans to develop a new generation of RTGS capable of supporting the future demands of a rapidly changing payments environment. The implementation is to be phased over a number of years and is expected to be completed by 2024, with the legacy

infrastructure closed down by early 2025.)

- High-value and urgent EUR-denominated domestic and cross-border transfers can be settled by the Dutch or Irish components of TARGET2, or by the Euro Banking Association's EURO1 system. Fourteen banks in the UK participate directly in EURO1.
- Electronic credit transfers in other currencies can also be processed via bilateral correspondent banking.
- Low-value and non-urgent GBP-denominated transfers can be settled through BACS (three-day settlement) or the FPS (near real-time settlement).
- SEPA credit transfers can be settled via STEP2 or via correspondent banking networks. There are 103 SCT participants in the UK.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.
- The European Payment Council's SCT Inst scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) enables the transfer of funds (the maximum threshold value is EUR 100,000) to another account in less than ten seconds. There are 22 participants.
- EBA Clearing and Italy's SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments. As of June 2021, there were 1,252 SCT Inst participants.
- EBA Clearing has launched a pan-European request to pay (R2P) infrastructure solution with the support of 27 payment service providers from 11 countries. The new 24/7 service is compatible with the SCT and SCT Inst schemes and allows payees to take the initiative to request a specific payment from the payer.
- TIPS is a pan-European service for the settlement of instant payments in central bank money. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies.

## Direct debits

- Direct debits are used for regular payments, such as utility bills.
- The most common type of direct debit in the UK is the pre-authorised direct debit.
- SEPA direct debits (SDDs) are available in the UK and can be settled via STEP2 or via the SEPA-compliant clearing and settlement mechanisms (CSMs). Forty-three banks participate in the Core SDD scheme and 25 in the B2B SDD scheme.
- Direct debits are settled on a three-day cycle via BACS.

## Cheques

- The cheque as a method of payment is in decline but is still commonly used by consumers and small companies. In 2019, the volume of cheque payments declined 20% to 275.5 million.
- Cheques are truncated into electronic items before being settled via the C&CCC system on a three-day basis. For cheques drawn on banks in Northern Ireland and presented to a bank in Great Britain (or vice versa), clearing takes four days via the Belfast Bankers' Clearing Company.
- The C&CC has completed the roll-out of a new way of clearing cheques, the Image Clearing System, which enables digital images of cheques to be exchanged between banks and building societies for clearing and payment, speeding up the clearing process from six weekdays to one.

## Card payments

- Card payments, particularly debit cards, are the most popular method of payment. There were 20,883 million debit cards transactions 2020, with a value of GBP 800 billion, a 9.1% and 2.2% increase respectively.
- There were 96 million debit cards and 63 million credit cards in circulation at the end of February 2021. Of these, 87 million debit cards were contactless and 52 million credit cards. One in four payments in the UK in 2020 were contactless.
- Visa-branded debit cards are the most widely issued although Visa Delta, Visa Electron, Maestro and Solo debit cards are also available.
- All debit card payments are processed by VocaLink on a same-day basis.
- Visa and MasterCard-branded credit cards are the most widely issued. American Express and Diners Club credit cards are also available.
- Credit card payments are processed by the card-issuing company.
- All cards issued are SEPA-compliant with EMV chips.

## ATM/POS

- There were 63,528 ATMs in the UK at the end of 2019.
- There were 3 million POS terminals in the UK at the end of 2019.
- ATMs are linked by the ATM network, LINK, operated by VocaLink.
- All ATMs and POS terminals are EMV-compliant.

## Electronic wallet

- Several pre-paid cards are available in the UK, including the Cashplus MasterCard, a Visa-branded pre-paid card, a pre-paid Maestro card offered by VocaLink, and a contactless credit card, OnePulse, offered by Barclaycard.
- Mobile wallets are offered by a number of banks. Android Pay, Apple Pay and Samsung Pay are also available; 32% (17.2 million) of the adult population were registered to use mobile payments at the

end of 2020.

## Short term investments

### Market overview

#### Interest payable on credit balances

- Interest-bearing current accounts are permitted for residents and non-residents, although interest rates tend to be low.

#### Demand deposits

- Demand deposits are available for residents and non-residents.

#### Time deposits

- Time deposits are available in GBP or major foreign currencies with terms typically ranging from one night to one year. Terms up to five years are possible.

#### Certificates of deposit

- Domestic banks issue GBP-, USD- and EUR-denominated certificates of deposit (CDs) for terms ranging from one week to five years. Terms of three to six months are the most common.
- The minimum investment for GBP-denominated CDs is GBP 50,000 and USD 1 million for USD-denominated CDs.
- The UK has an active secondary market in CDs.

#### Treasury (government) bills

- The UK Government Debt Management Office issues Treasury bills (T-bills) through weekly tenders.
- T-bills are issued with terms of one, three, six and 12 months.
- The minimum investment is GBP 500,000.
- The UK has an active secondary market in T-bills.

#### Commercial paper

- Domestic [commercial paper](#) (CP) is issued by companies and public authorities denominated in GBP or EUR. Most paper is issued for three to six months, although terms ranging from one week to 12 months are permitted.
- The minimum investment required is GBP 500,000.
- Euro [commercial paper](#) (ECP) is issued by larger companies with a published credit rating. ECP can be issued in a range of currencies.

### Money market funds

- Money market funds are available denominated in GBP, EUR and USD.

### Repurchase agreements

- Repurchase agreements are available in the UK although they are more popular with financial institutions than with corporations.

### Banker's acceptances

- Banker's acceptances are not commonly used in the UK.

## BNP Paribas Trade Finance Capabilities

### Trade payments

Documentary credits	✓
Documentary collections	✓

### Guarantees

Bank guarantees	✓
Standby letters of credit	✓

## Supply chain management

Receivables	✓
Payables	✓
Inventory	✓

## Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	✓
Connexis Connect	✓
Connexis Guarantee	●
SWIFTnet Supply Chain	●

- BNP Paribas' Global Trade Solutions (GTS) team in the UK supports corporations headquartered in, and operating in the UK with a comprehensive range of products and solutions including risk mitigation and liquidity management. The team combines worldwide trade expertise with an extensive international network to provide a best-in-class service to the bank's corporate clients. The GTS team comprises 3 trade finance experts, providing traditional trade services along with structured trade and tailor-made supply chain solutions, according to each corporate's needs.

International trade

## General trade rules

- On January 1, 2021, the UK left the EU single market and customs union, as well as all EU policies and international agreements.
- The UK and the EU signed a Trade and Cooperation Agreement (TCA) on December 24, 2020. The agreement entered into force on January 1, 2021, establishing zero tariffs or quotas on trade of goods between the UK and the EU, subject to relevant rules of origin.
- Under the Northern Ireland Protocol, Northern Ireland will remain in the EU's single market for goods and apply EU customs rules at its ports. Any future UK trade agreement will also apply to Northern Ireland.
- There is a free zone operating at Ronaldsway Airport, Isle of Man. The UK government has opened a bidding process for the creation of up to 10 new freeports in the UK. The first freeports are expected to open by the end of 2021.

## Trade agreements

- The UK has also negotiated “rollover” agreements to preserve preferential trading terms with blocs and countries covered by its EU membership. At the time the UK left the EU, the EU had around 40 deals covering more than 70 countries. The rollover trade agreements that took effect from January 1, 2021 include deals with around 60 countries, such as Japan, Israel, Chile, Kenya, Tunisia, Palestinian Authority, Singapore, South Korea, Liechtenstein, Iceland and Norway, Switzerland, Turkey, Ukraine and Vietnam.
- Most recently, trade agreements have come into effect with Canada (April 2021), Jordan and Albania (May 2021) and Mexico (June 2021). The UK has agreed an agreement in principle with Australia.
- Trade with other countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.
- The UK government is prioritising reaching agreements with the USA, New Zealand and the CPTPP.

## Imports / exports

Imports	Gold	Cars	Crude petroleum	Refined petroleum	Broadcasting equipment	
Primary Import sources	Germany (13.0%)	China (10.0%)	USA (8.0%)	Netherlands (7.0%)	France (6.0%)	Belgium (5.0%)
Exports	Cars	Gas turbines	Gold	Crude petroleum	Packaged medicines	
Export markets	USA (15.0%)	Germany (10.0%)	China (7.0%)	Netherlands (7.0%)	France (7.0%)	Ireland (6.0%)

## Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD bn	404	435	469	476	399
	- services USD bn	348	376	411	404	343
Imports	- goods USD bn	583	610	651	644	548
	- services USD bn	211	233	265	271	205
Current account as % GDP		- 5.3	- 3.5	- 3.9	- 3.8	NA

Source: IMF, International Financial Statistics, July 2021.

### Trade finance - Imports

## Documentation

- Imports should be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.
- Imports to Northern Ireland originating inside the EU do not require formal supporting documentation, although a commercial invoice may be required.

## Import licences

- Import licences are required for certain steel products from outside the EU, as well as for nuclear materials, armaments and ammunition.
- Import licences with quotas are required for certain steel products from Kazakhstan, Russia and Ukraine and for certain textiles from Belarus and North Korea.
- Kimberley Process certificates and specific tamper-proof containers are required for rough diamond imports.



## Import taxes and tariffs

- The UK applies the UK Global Tariff (UGGT) to all goods imported into the UK unless the country the goods are coming from has a trade agreement with the UK.
- Imports from certain developing countries attract reduced tariffs according to the UK's Generalised Scheme of Preferences. In the case of the least developed nations, imports on all goods other than arms and ammunition are free from tariffs.
- Under the Northern Ireland Protocol, goods imported into Northern Ireland from Great Britain (goods not deemed to be at risk of leaving the UK customs territory) are free from tariffs. However, goods 'at risk' of entering the EU's single market are subject to EU tariffs.

## Financing requirements

- None

## Risk mitigation

- None

## Prohibited imports

- The UK prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.
- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

Trade finance - Exports

## Documentation

- Exports will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

- Exports from Northern Ireland to countries within the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

## Export licences

- Export licences are required for items subject to international export controls.
- Kimberley Process certificates and specific tamper-proof containers are required for rough diamond exports.

## Export taxes and tariffs

- None

## Financing requirements

- None

## Risk mitigation

- The UK has implemented the EU directive on export credit insurance.
- UK Export Finance, the UK's national export credit agency, provides state-supported export credit insurance.
- Export credit insurance is also available from private insurance companies.
- Export financing is available privately from commercial banks.

## Prohibited exports

- The UK prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

Regulatory requirements

## Reporting regulations

- The UK does not apply reporting requirements for companies.

## Exchange controls

- The UK does not apply [exchange controls](#).
- Restrictions apply to foreign investment in specific industries (radio and television broadcasting, UK shipping and airlines).

## Taxation

### Resident / non-resident

- A company is considered to be resident if it is incorporated in or is centrally managed and controlled in the UK, unless it is regarded as resident in another country under a double taxation treaty.

### Financial instruments

- N/A

### Interest and financing costs

- N/A

### Foreign exchange

- N/A

### Advance tax ruling availability

- UK taxpayers may apply for advance pricing agreements as well as clearances from HMRC. Except where a clearance mechanism is available by statute, clearances (known as non-statutory clearances) may be applied for where it can be demonstrated that there is material uncertainty and the issue is commercially significant or the legislation is less than four years old. UK tax legislation includes a number of anti-avoidance provisions for which advance statutory clearance may be sought. Also, under a non-statutory clearance procedure, the UK tax authorities' view of the tax consequences of specific transactions can be sought, on a named basis, with full disclosure, where there is both commercial and material uncertainty.

## Capital gains tax

- Capital gains form part of a company's taxable profits. Gains or losses on the disposal of substantial shareholdings in both UK and foreign companies can be exempt. The main conditions, broadly, require the selling company to have continuously owned at least 10% of the shares of the company being sold for at least 12 in the six years before disposal and the company being sold must be trading or the holding company of a trading group (without, to a substantial extent, any non-trading activities) for at least 12 months before the disposal (longer in some cases). In certain circumstances, the company being sold also must be either trading or the holding company of a trading group immediately after the disposal. There is a broader exemption for certain "qualifying institutional investors".
- A non-resident company generally is not subject to tax on its capital gains unless the asset is held through a UK PE or, in certain cases, where UK residential property is owned. Where an election has been made to exclude the profits of Pes, the exclusion also may apply to gains and losses of certain capital assets of the PE.
- Gains from the disposal of UK property and certain UK property-related investment assets by non-residents are subject to UK tax.

## Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	None	None	None	None
Non-resident entities	0%/20%	None	0%/20%	None

- Interest paid to a non-resident is subject to 20% withholding tax, unless the rate is reduced under a tax treaty or the interest is exempt under the EU interest and royalties directive.
- There typically is no withholding tax on dividends paid by UK companies under domestic law, although a 20% withholding tax generally applies to distributions paid by a REIT from its tax-exempt rental profits (subject to relief under a tax treaty).

- Royalties paid to a non-resident are subject to 20% withholding tax, unless the rate is reduced under a tax treaty or the royalties are exempt under the EU interest and royalties directive. Advance clearance is not required to apply a reduced treaty rate.

## Tax treaties / tax information exchange agreements (TIEAs)

- The UK has tax treaties with 127 countries. Different rates of withholding tax can apply to interest and royalties, depending on the terms of the agreement with the particular country.
- The UK, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has signed a multilateral co-operation agreement with 30 other countries (“the MCAA”). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).
- With Country-by-Country reporting tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA.

## Thin capitalisation

- The arm’s length principle applies.
- There are no ‘safe harbour’ provisions.
- There is a limit on deductions that can be taken for financing costs. These “interest deduction” rules broadly apply where the aggregate tax deductions for net financing costs of UK group companies exceed either 30% of tax EBITDA or, if the taxpayer so elects, the ratio of group net interest expense compared to accounting EBITDA (capped at 100%). There is a de minimis exemption from the interest restriction rules, under which the first GDP 2 million of interest expense is allowable. Where certain conditions are satisfied, restricted interest can be carried forward and deducted in future periods if additional capacity arises. Unused interest capacity can be carried forward for five years.

## Transfer pricing

- Comprehensive transfer pricing provisions apply to transactions with both domestic and foreign companies.
- The UK transfer pricing rules follow OECD principles.
- The rules include a requirement to prepare documentation to demonstrate compliance with the arm’s length standard.
- Advance pricing agreements are possible in certain situations.

## Stamp duty

- Stamp duty arises on instruments of transfer relating to 'stock and marketable securities' and is charged at a rate of 0.5% of the consideration provided in the form of cash, shares or debt. Stamp duty reserve tax (SDRT) arises on agreements to transfer 'chargeable securities' at a rate of 0.5% of any consideration provided in the form of 'money or money's worth'.
- Loan capital is generally exempt from stamp duty and out of the scope of SDRT unless it is in some way equity-related, for example convertible into equity, or carries a return relating to profits, an interest rate that exceeds a reasonable commercial return, or a right to repayment that exceeds the nominal and is not commercially comparable.
- A charge to SDRT at 1.5% on entry to certain systems, e.g. on the transfer of UK shares to clearing services or national securities depositaries.
- Stamp duty land tax (SDLT) is charged on transfers of UK real property. Land and buildings transaction tax (LBTT) is charged instead of SDLT on Scottish property.
- For residential property, SDLT rates are between 0% and 12% (increased to 15% for certain property), depending on the value of the property. The rates for non-residential property are 0% to 5%. A 15% rate applies to purchases of residential property valued at more than GBP 500,000 by companies and certain other vehicles, though relief from the 15% rate is available for some businesses.
- As a temporary response to COVID-19, the nil rate bands for SDLT, LBTT and LTT on purchase of residential property are temporarily increased until June 30, 2021.
- In certain circumstances, transfers within a tax group may be free from stamp duty/SDLT.

## Cash pooling

- There are no specific tax rules for [cash pooling](#) arrangements.

## Financial transactions / Banking services tax

- There are no specific financial transactions taxes.
- The UK Bank Levy is a tax on bank balance sheets; bank liabilities are taxed at a rate of 0.14%. The rate is halved for long-term borrowing, 0.07%. There is no charge on the first GDP 20 billion of chargeable liabilities.

*All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 ([www.deloitte.com](http://www.deloitte.com)).*



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