

Building Blocks

Investing in Infrastructure – UK tax issues

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Investing in Infrastructure

Advantages of investing in infrastructure

- Investors are generally seeking investments which will provide competitive and consistent annual returns and which are not dependent on an exit strategy
- **Strong demand.** Constantly rising population means there is need for essential infrastructure even in times of slow economic growth
 - OECD report published in 2007 estimated the following global infrastructure costs:
 - \$1 trillion annually for water services (by 2025)
 - \$250-350 billion annually on road and rail services
 - \$10 trillion cumulative investment required to meet electricity demand until 2030
- Importance to the community means infrastructure is a low risk investment

Advantages of investing in infrastructure

- **Predictable income streams**, due to
 - High initial capital costs, but relatively low operating costs (generally around 30% of revenue)
 - Operating in areas with low levels of competition (infrastructure assets – particularly utilities - are often regulated monopolies supervised by the government)
 - High barriers to entry which may discourage competition (particularly significant initial capital outlay, environmental issues and long term contracts)
 - Inflation-linked returns and predictable consumer demand
- **Steady returns** over a long period of time are highly attractive to pension funds and life insurance companies who can match these returns to long term liabilities

What's driving private infrastructure investment in the UK?

- Traditionally, investment in UK infrastructure has been facilitated by the government – either by directly providing funds for construction or by subsidising other parties
- In recent years, government investment in infrastructure has declined from 12% of general government outlay in 1970 to 3% in 2000, and private investment has increased, due to:
 - Pressure on government to reduce taxes, combined with increasing demands on the budget from other areas requiring investment
 - Increasing costs of infrastructure projects
 - Success of real estate and similar investments has encouraged investors to seek alternative investments
 - High returns posted by existing infrastructure funds are attractive to investors seeking returns
 - Fewer restrictions in the UK on buying utilities than other European countries

What's driving private infrastructure investment in the UK?

- The creation of PFI (Private Finance Initiative) in the early 1990s created a form of public/private partnership, under which private investment in UK infrastructure became much easier. Hundreds of projects have been completed in transportation, and the focus has now moved to hospitals and schools
- Along with traditional participants like construction companies, pension fund trustees have become keen investors in PFI projects – long term steady cashflows are seen as a positive way in which to plug deficits in their funds
- Between 2003 and 2005, pension funds invested £2 billion in PFI investments, with investments being managed by Barclays I2, Henderson, 3i, Prudential and the Secondary Market Infrastructure Fund

Why invest through an infrastructure fund?

- Existing vehicles and structuring processes “tried and tested” in private equity and other investment schemes can be adapted for use in infrastructure investment
- Political risk inherent in infrastructure investment can be managed by fund structure and diversification in the portfolio
- Infrastructure investment requires specialist knowledge of the industry and specific management skills – this expertise can be more easily obtained (on a more cost efficient basis) by investing through an infrastructure fund
- Timeframe for investing in an infrastructure asset can be very short considering the scale of projects and the amount of due diligence involved – a specialist fund has the resources to investigate and commit funds quickly

Typical Structure – inward investment in UK infrastructure



- When examining how to structure an infrastructure investment, the most important tax considerations are:
 - Obtaining deductibility for costs of acquisition finance
 - Smooth running of the infrastructure asset and the fund through the asset life
 - Minimisation of taxes upon exit from the structure

- UK resident and non-resident investors invest through a tax transparent or exempt entity which pools the capital
- Capital raised by the pooling vehicle is pushed down the structure through the “blocker” holding company (possibly as debt to gain interest deductions), for example a company tax resident in Luxembourg
- May be combined with third party debt in the UK acquisition vehicle (for which the UK acquisition company can receive a tax deduction)
- UK acquisition company purchases the entire shareholding of the UK target company which holds the desired infrastructure asset

- Funds are used for initial high construction and operating costs
- Following construction, operation of infrastructure asset can be funded using revenues from the asset (generally 30%)
- Interest deductions can be surrendered to the UK target company by the UK acquisition company under the UK group relief rules if the target company is profit-making
- Surplus money is upstreamed through the structure by way of dividend or interest payments

Pooling vehicle

- Investors will invest either directly or indirectly (through parallel or feeder funds) into a tax transparent vehicle so investors are taxed directly on their investments rather than introducing an additional corporate level which will be opaque for tax purposes and therefore taxable
- One option is to establish a **UK Limited Partnership**
- A UK LP can be either an English LP or Scottish LP. Once formed, it must be registered with the Registrar of Limited Partnerships in either London or Edinburgh
- Limited Partnerships are governed by a relatively light regulatory regime
- The liability of the general partner is unlimited
- The liability of the limited partners is limited to the amount of capital they have contributed to the partnership. In a practical sense, capital contributions are usually small and topped up by interest-free loans
- It is generally recognised as tax transparent in most jurisdictions

English LP v Scottish LP

- An English LP comprises one or more general partners who run the business, along with limited partners who provide investment but do not play an active role
- An English LP has no separate legal personality of its own
- In contrast, a Scottish LP may only have one general partner and must have its principal place of business in Scotland
- A Scottish LP does have a separate legal personality distinct from that of its members, which allows it to hold and lease property in its own name and also allows easier changes in partnership ratios

Advantages of a UK LP

- Advantage of a UK LP is that it is a tax transparent vehicle which is not subject to income tax, corporation tax or capital gains tax in the UK
- Depending on the circumstances of the transaction, it could be substituted for another tax transparent vehicle (ie, US LP, etc.)
- For UK tax purposes, the UK LP is treated as a partnership which is in the business of investing in companies and other assets, and monitoring the development of those companies and assets
- An English LP will not create a taxable presence in the UK for its investors. A Scottish LP may create a taxable presence as it has a separate legal personality

VAT at the level of UK LP

- Value Added Tax (VAT) is a sales tax levied on the sale of goods and services
- Businesses (not individuals) can recover the VAT incurred as long as they make onward VATable supplies
- In an infrastructure fund, VAT may be incurred in respect of charges for professional services relating to the transaction (for example, legal advice)

VAT at the level of UK LP

- There should be no VAT costs associated with the provision of management services
- If the General Partner provides management services, it will generally not receive a fee but will receive a proportion of the profits as remuneration. In this case, no VAT will be payable
- Previously, VAT was charged on management fees paid to an independent investment manager. However, following the case of JP Morgan Claverhouse, management fees paid to an independent investment manager should now benefit from an exemption from VAT

VAT at the level of UK LP

- Depending on any other supplies of services, the LP may be subject to VAT at 17.5% in the UK or the equivalent in other jurisdictions
- Given that the LP is involved in investment activity, it is unlikely to recover the VAT and so this will represent a real cost to the fund
- In order to mitigate the VAT payable, it is important that VAT is passed to the entities that are in the best position to recover the VAT
- It may also be possible to set up a service provision entity which is in a better position to recover VAT to which deal costs could be charged

Other pooling vehicles

- Other fiscally transparent vehicles are commonly used in infrastructure funds, for example limited liability partnerships in the Cayman Islands and the British Virgin Islands
- Exempt companies, such as Jersey or Guernsey limited companies or Cayman Islands limited liability companies, can also be used in these structures
- As there is no corporate tax payable at the level of the exempt company, there is no tax leakage in the fund structure
- US LLCs can also be used as the pooling vehicle in infrastructure funds

Holding Company

- A holding company is necessary to act as a blocker between the tax transparent LP and the ultimate infrastructure investment/UK acquisition company
- Most important elements of a holding company:
 - Must be subject to a low tax regime
 - Must have a good network of treaties to allow for upstreaming of income from the investment without withholding
 - Alternatively, the holding company may have a domestic exemption from withholding tax on interest and dividends
 - For European investments, a holding company resident in an EU country is advisable, as it can benefit from EU directives on withholding tax on interest and dividends

Holding Company

- The location of the investors and/or the infrastructure assets can influence the location of the holding company in the fund structure
- For example, if investors are located in a jurisdiction with a poor treaty network, they will prefer to invest through a holding company which imposes no domestic withholding taxes on interest or dividends
- Possible jurisdictions for the location of the holding company, where investments are being made in Europe, include Luxembourg, Cyprus and Malta

Luxembourg holding company

- Luxembourg is a good jurisdiction in many transactions
- General corporate tax rate of 29.63%, and costs (including interest) are deductible. This means that Luxembourg companies will only be taxed on the margin between their income and expenses, which can be small
- Luxembourg is currently party to 39 double tax treaties
- No corporation tax on inbound dividends if conditions under the participation exemption regime are met:
 - the Luxembourg holding company has a shareholding of at least 10% in another Luxembourg company, a company residing in an EU member state, or any fully taxable corporation
 - which it holds for at least 12 months

Luxembourg Holding Company

- Normal outbound dividend withholding rate is 15%, which can be reduced by:
 - the EU Parent/Subsidiary Directive, where the payee company is in the EU and certain conditions relating to ownership are met; or
 - an applicable double tax treaty
- Withholding tax on dividend payments can be mitigated by:
 - The use of CPECs or similar instruments which effectively turn dividends into interest payments and redemptions on convertible bonds
 - funding bonds
 - liquidation
- No withholding tax on outbound interest payments
- No tax on capital gains arising to the Luxembourg company on the sale of shares subject to participation exemption conditions being met
- User friendly tax system permits tax authorities to enter into agreements and clearances with individual taxpayers

Alternative holding companies - Cyprus

- Cyprus is becoming increasingly popular as a holding company jurisdiction, particularly as it no longer suffers from the problem of being known as a “tax haven”
- General:
 - Corporate tax rate of 10%
 - No specific limitation on deductibility of expenses (including interest)
 - Generous participation exemption regime subject to conditions
 - Full tax exemption on capital gains realised from the sale of shares, bonds and other securities
- Cyprus is very popular with Australian investors as there is no withholding tax on outbound dividends and interest payments (often difficult to achieve due to the usual provisions on interest and dividends in Australia’s treaties with European countries)

Alternative holding companies

- Cyprus

- Cyprus has a reasonably extensive double tax treaty network (currently 33 treaties)
- As an EU member state, companies in Cyprus can benefit from the parent-subsidiary directive (allowing dividends to be paid without withholding) and the interest and royalties directive (allowing interest to be paid without withholding)

Alternative holding companies - Malta

- Malta has proved to be another popular jurisdiction, as it possesses similar attributes to Cyprus
- It has 46 signed tax treaties with most of the OECD countries (including one with Australia)
- General:
 - Corporation tax rate of 35%
 - If shareholders are non-resident a tax refund is given upon receipt of dividends, which means the effective tax rate can reduce to 0% in the case of a Maltese International Holding Company
 - No withholding taxes on interest or dividends
- As a new member of the EU, Maltese companies also benefit from the EU directives on interest and dividends

Tax considerations associated with UK infrastructure

- Main considerations:
 - UK corporation tax
 - Capital allowances
 - Stamp Duty Land Tax
 - Stamp Duty
 - VAT

UK Acquisition Company

- Corporation tax charged at a rate of 30% (28% from 1 April 2008) on any income or capital gains of a UK company (for example on the sale of UK target company)
- Losses can be offset between group companies
- No corporation tax imposed on dividends received from other UK companies. Individuals and trusts receive dividends with a 1/9 tax credit which is used to settle some of the tax liability
- No withholding tax imposed on outbound dividends
- Debt finance can be introduced at the level of the UK acquisition company and will give rise to a corporation tax deduction (which can be surrendered to the UK target company if it is profit-making)

Substantial Shareholdings Exemption

- There is an exemption for certain capital gains made by UK companies on the sale of shares
- For the exemption to apply:
 - UK Acquisition Co would have to hold at least 10% of the shares in UK Target Co for 12 months; and
 - Both UK Acquisition Co and UK Target Co would have to be trading companies or part of a trading group at the time of the disposal and afterwards
- UK Acquisition Co may benefit from the exemption if it is the holding company of a trading group

Capital allowances

- In the UK, expenditure on capital assets is not deductible against trading income
- Capital allowances are the tax equivalent of depreciation, and may be available in respect of some capital assets
- When a company purchases a capital asset on which capital allowances are available, it can deduct a proportion of the cost of the asset each year as an expense in the calculation of income profits
 - Generally, allowances are usually claimed at a rate of 25% per annum on a reducing balance basis (giving relief for 90% of the cost of the asset over 7 years). This allowance is to be reduced to 20% from 1 April 2008
 - For assets with a useful life of over 25 years, the writing down allowance is 6% per annum. This will rise to 10% from 1 April 2008

Capital allowances

- Other allowances are available in respect of specific capital assets:
 - Industrial buildings allowances
 - Available on qualifying expenditure related to a building or structure used for a 'qualifying trade' (including electricity, water and transport)
 - 'Qualifying expenditure' includes construction costs and capital expenditure on repairs, but not the cost of the land
 - However, the government intends to phase out IBAs by 2011
 - Enhanced allowances to encourage certain types of investment
 - Tax relief available for 150% of the cost of remediation of contaminated land
 - Expenditure on certain specified items of energy-efficient equipment can be written off for capital allowances purposes in the year it is incurred

Capital allowances

- From 1 April 2008, the UK Government will offer certain new capital allowances as part of the general overhaul of the capital allowances regime:
 - New Annual Investment Allowance – 100% allowance for the first £50,000 of investment in plant and machinery
 - Payable Enhanced Capital Allowances – where a company has incurred losses relating to expenditure on environmentally beneficial equipment, those losses can be surrendered to HMRC in return for a payment of 19% of the surrendered losses (subject to a cap)
- Infrastructure investments are often made under a PFI deal. Where a PFI deal involves construction of an asset and operation of a service, the owner/operator may, for tax purposes, be viewed as carrying on a composite trade and so can obtain tax relief for 100% of capital expenditure

VAT – ‘opted to tax’

- As discussed, VAT may represent a real cost to the infrastructure fund.
- Grant of any interest in or right over land is generally an exempt supply (i.e. no VAT is chargeable)
 - Some supplies of land are standard-rated (17.5%) e.g. grant of the freehold interest in a new commercial building
 - Others are zero-rated
- It is possible to ‘opt to tax’ supplies that would otherwise fall to be treated as exempt
- The effect of this is that VAT will be chargeable on most supplies of opted land

VAT – ‘opted to tax’

- *Why would a business choose to charge VAT on an exempt supply?*
 - The reason is VAT recoverability, i.e. VAT incurred in relation to making taxable supplies is recoverable, whereas that which is incurred in relation to making exempt supplies is not
 - Generally businesses will opt to tax either to recover VAT incurred on professional fees in relation to the sale of the property or if there are substantial maintenance expenses involved
- Once an option has been made it cannot be revoked for 20 years, with the exception of a three-month ‘cooling off’ period (provided no VATable supply has been made of the land or input VAT recovered in relation to it during the three months)

Stamp Duty Land Tax

- Introduced on 1 December 2003 to replace stamp duty on land
- SDLT is a tax on “land transactions” and arises irrespective of the nature and effect of any document
- SDLT is chargeable on the acquisition of:
 - an estate, interest, right or power in or over land in the UK; or
 - the benefit of an obligation, restriction or condition affecting the value of any such estate, interest, right or power
- The charge is drafted widely and includes the purchase of land and buildings, the entry into a lease of land or buildings and the transfer of a partnership interest that holds land or buildings
- Special rules for calculating SDLT on leases

Stamp Duty Land Tax

- Slab system of taxation i.e. entire consideration is charged at the applicable rate
- SDLT is usually charged at 4% (depending on the amount paid for the property)
- There is a specific SDLT relief which applies to transactions involving public or educational bodies, which potentially applies to most PFI transactions providing specific conditions are met. The relief does not provide complete relief from SDLT, but excludes certain types of consideration from the charge to SDLT
- A new wide-ranging anti-avoidance provision was introduced in December 2006 in relation to scheme transactions
- Where the provisions apply, the scheme transactions are disregarded and SDLT is calculated on the notional land transaction

Stamp Duty

- Stamp duty is a statutory tax on instruments which, from 1 December 2003, is chargeable on shares, other marketable securities and transactions involving partnerships
- Where a company purchases the shares of a UK Company, a charge to stamp duty (at 0.5% of the consideration) will arise

Non-tax considerations
associated with UK
infrastructure

UK government regulation

- The UK imposes a relatively light regulatory regime which is mainly aimed at combating abuse and promoting competition
- Ownership of utilities:
 - In the telecommunications sector, there are no rules restricting direct or indirect foreign ownership interests in electronic communications companies
 - In relation to gas regulation, however, the Secretary of State holds a non-voting redeemable preference share of £1 in National Grid with attaching rights of veto for certain actions which are effective only with the written consent of the holder of that share (although this has not been used to limit the acquisition of interests by outside investors)
- Operation of utilities
 - Utilities regulators have powers under various statutes, including Utilities Act 2000
 - Regulators oversee particular areas of infrastructure: Ofcom (communications), Ofwat (water), Ofgem (gas and electricity), Office of Rail Regulation, etc.
 - Regulators can impose fines and sanctions on companies who fail to meet targets or perform adequately

Taxation of investors

Investor level taxes

- Investors may be UK tax residents or non-residents
- Ideally, investors should either be tax exempt or be subject to low tax regimes. UK pension funds are tax exempt. Relief may also be available under the terms of bilateral tax treaties
- Investor taxes might also be an issue in relation to the nature of the return, depending on where the investors are located

Taxation of UK tax resident Limited Partners - Income

- Income arising to UK LP is treated for UK tax purposes as income arising directly to each Limited Partner in the proportions in which that income is shared by the Limited Partners under the Partnership Agreement
- Similarly, expenses will be apportioned between the Limited Partners in the same way as profits
- To the extent that a Limited Partner is liable to UK tax on income, the gross amount of this income is liable to UK tax
- The Limited Partners will also be liable to UK tax on any interest income received

Taxation of UK tax resident Limited Partners - Income

- Certain Limited Partners (including insurance companies and companies with investment businesses) may be able to obtain tax relief for their share of certain of the management expenses of UK LP
- The UK LP may have to file a partnership tax return to assist in the assessment to tax of the Limited Partners

Taxation of UK tax resident Limited Partners - Capital

- As the LP is fiscally transparent, each Limited Partner will be treated for the purposes of UK tax on chargeable gains as having a direct share in each of the assets of UK LP as determined in accordance with the provisions of the Partnership Agreement
- Consequently, where there is a change in the entitlement of a Limited Partner – for example, its share under the partnership agreement decreases and the share of another Limited Partner increases – it may be treated as a disposal of an asset with capital gains consequences
- HMRC practice is that if no consideration is paid (for example, if a new limited partner is admitted) and partnership assets are not revalued prior to the change in ratios, the disposal is treated as made for a consideration equal to the partners' capital gains tax cost and no tax is payable
- However, when partners contribute assets to partnerships, for example on the formation of a partnership or when a new partner is admitted to the partnership, partners may be treated as making a part disposal of the asset equal to the fractional share in the asset that passes to the other partners

Taxation of UK tax resident Limited Partners - Capital

- When a UK LP disposes of an asset to a third party, each Limited Partner will be treated as disposing of its share in such asset. Any gain (or loss) arising should be treated for UK tax purposes as a capital gain (or loss) and each Limited Partner's share of any disposal proceeds should be determined in accordance with the provisions of the Partnership Agreement
- On the disposal of its interest in UK LP, a Limited Partner making the disposal should be liable to tax on chargeable gains as if it had disposed of its appropriate proportion of UK LP's assets

Taxation of UK tax resident Limited Partners – Tax-exempt investors

- It is often advisable to set up a UK unauthorised unit trust in which UK tax-exempt investors, such as pension funds, can hold their interests in the pooling vehicle
- The trustee of the unit trust will hold the various shares for the benefit of such investors and will pay tax at 22% (20% from 6 April 2008)
- The tax-exempt investors are able to reclaim the tax paid by the trustee from HM Revenue & Customs
- This structure eases the administrative burden for such tax exempt investors, as their entire investment will be held in one unit instead of in various shareholdings, necessitating only one filing

Taxation of non-UK resident Limited Partners

- A Limited Partner not resident in the UK which holds its interest in UK LP as part of a trade may be treated as carrying on that part of the trade in the UK through a permanent establishment, and could be assessed to tax on its profits properly attributable to that permanent establishment
- In this case, the manager of UK LP should have the right to retain an amount equal to such Limited Partner's liability to UK income tax or corporation tax and to submit such amount to HMRC
- If the Limited Partner holds its interest in the fund as an investment and is resident in a territory with which the UK has a double tax convention similar to the OECD Model Convention, HMRC will generally not treat it as a partner in an enterprise which carries on business in the UK through a permanent establishment (for the purposes of the relevant double tax convention) merely because of its investment holding
- In this case, the Limited Partner will not be liable for UK income or capital gains tax (although it may have a tax liability in its own jurisdiction)

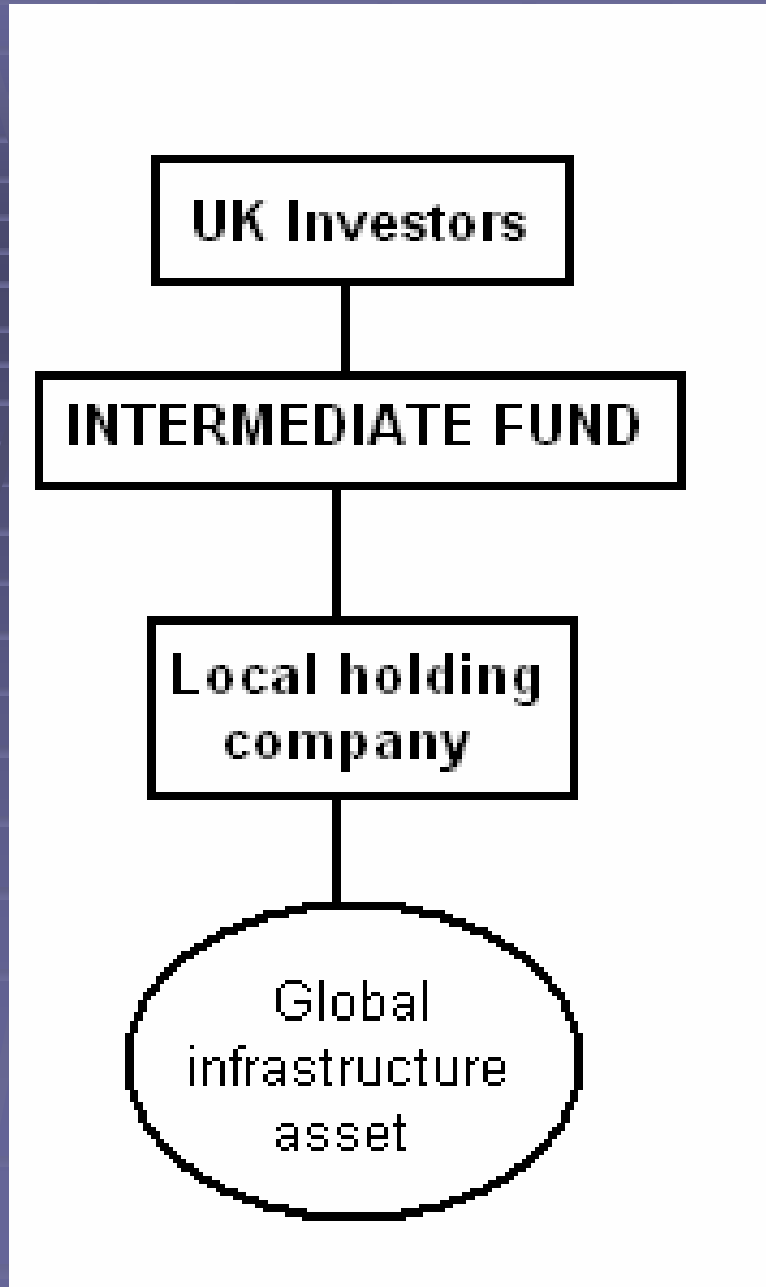
Stamp Duty and Stamp Duty Land Tax

- SDLT (at up to 4%) is payable on the transfer of partnership interests (even where documented as retirement and accession) where the LP holds UK land or property. As such, a UK LP is not suitable where new investors are to be admitted or where investment proportions will change as there will be an SDLT charge in those circumstances
- Where UK LP directly holds "stock or marketable securities", stamp duty (at a rate of 0.5%) may be payable on the transfer of an interest in that partnership. "Stock or marketable securities" include any securities which are capable of being sold in any stock market in the UK

UK outbound investment

General

- UK investors may also choose to invest in global infrastructure for the following reasons:
 - Greater opportunities for investment
 - Infrastructure investment costs in the UK are high at the moment as it is a popular investment for which there is a great deal of competition



UK outward investment considerations

When investing abroad, UK investors will want to:

- Find a suitable jurisdiction and tax transparent vehicle in which to pool funds with other investors
- Find a holding company jurisdiction with a low corporation tax rate (or which is tax exempt)
- Ensure dividends and interest payments are received from the holding company without withholding tax
- Ensure that there is no capital gains tax on exit from the structure

UK outward investment – holding company

- A holding company for outward investment will need the following attributes:
 - A low corporation tax rate
 - A comprehensive double tax treaty with the UK providing zero withholding tax on interest and dividends
 - Alternatively, a domestic exemption on withholding tax on interest and dividends
 - A comprehensive double tax treaty with the jurisdiction in which the infrastructure is located
- Popular jurisdictions in which to incorporate the intermediate fund and/or holding company include Cyprus, Mauritius and the British Virgin Isles

UK outward investment - Mauritius

- Corporation tax is imposed at a rate of 15%, but offshore companies (known as Category 1 global business licence companies, or GBL1) pay tax at an effective rate of 3% (due to deemed credit received for tax paid on incoming dividends)
- Mauritius has entered into a large number of double tax treaties, and is particularly useful in relation to investments in China and India due to beneficial double tax treaties

UK outward investment - Mauritius

- Dividends paid to residents and non residents are exempt from withholding tax
- Interest payments and royalties are exempt from withholding tax where they are paid from a GBL1 company to a non-resident
- No capital gains tax
- Good business infrastructure

UK outward investment - Cyprus

- Corporate tax rate of 10%
- No withholding taxes on outbound interest and dividend payments
- No specific limitation on deductibility of expenses (including interest)
- Generous participation exemption regime subject to conditions
- Full tax exemption on capital gains realised from the sale of shares, bonds and other securities
- Reasonably extensive double tax treaty network (currently 33 treaties)
- As a EU member state, it benefits from the EU directives on interest and dividends

UK outward investment - BVI

- Established business centre
- No corporation tax
- No taxation of dividends
- No withholding tax on outbound dividends, royalties or interest payments
- No capital gains taxation
- However, BVI has few signed double tax treaties

Taxation of UK investors in non-UK infrastructure (anti-avoidance)

- The UK has certain anti avoidance rules (known as the Offshore Funds rules) which have the effect of penalising domestic investors investing in certain foreign funds
- The rules may be relevant where a UK investor invests in a non-UK resident company which satisfies the definition of an “open-ended investment company”
- If the UK investor has a "material interest in a non-qualifying offshore fund", any gain made on the disposal of an interest in the fund will be taxed as income and not as capital (at less favourable tax rates)

Taxation of UK investors in non-UK infrastructure (anti-avoidance)

- A shareholder will not have a "material interest" in an offshore fund if each of the below apply:
 - the holding of shares is necessary or advisable for the maintenance and development of the shareholder's trade;
 - the shares confer at least 10% of the total voting rights in the overseas company and confer a right to at least 10% of the distributable assets of the overseas company on a winding-up;
 - not more than 10 persons hold shares in the overseas company and all the shares confer voting rights and rights to participate in the assets on a winding-up; and
 - at the time it acquired the shares, the shareholder had no reasonable expectation of being able to realise their value within seven years of the date of acquisition
- In any event, a fund will only be a non-qualifying offshore fund if it fails to distribute at least 85% of its profits in any given accounting period. Therefore, these rules will only be relevant where there is an intention that the holding company will roll up and not distribute the income it receives from its subsidiaries

Brief update on other UK tax issues

- REITs
- Foreign Profits Consultation
- UK Anti-avoidance

Any questions?

THE END