

Mark Lafone
HM Revenue & Customs
Room 3C/06
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12 June 2017

Dear Mr Lafone,

Withholding Tax Exemption for Debt Traded on a Multilateral Trading Facility

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

We welcome the opportunity to respond to HMRC's consultation regarding exempting payments of interest on debt traded on a Multilateral Trading Facility (MTF) from withholding tax. We believe that allowing issuers to easily raise wholesale debt capital on UK MTFs with the same streamlined tax treatment already available on overseas trading venues will boost capital raising and stimulate economic growth and job creation in the UK.

The Quoted Companies Alliance Tax Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

We have responded below in more detail to the consultation questions.

Responses to specific questions

Q1 Comments are invited on the impact and effectiveness of all aspects of the proposal and the extent to which it will achieve the policy objectives described in Chapter 3. If you consider there is any reason why it would not, please explain why not. We welcome suggestions as to how the proposal might better match the policy objectives.

We welcome and strongly support HMRC's proposal for a withholding tax exemption for debt traded on an MTF. We believe that each of the three policy objectives outlined in Chapter 3 will be met.

In the first instance, the proposals will allow UK MTFs to be more competitive with other jurisdictions already offering such an exemption. By levelling the fiscal playing field and offering an efficient admission to trading process, the UK will attract more issuers. Furthermore, we agree that the measure is a simplification to the taxation system and, therefore, will be revenue neutral for the Exchequer. Finally, as MTFs are subject to the Markets in Financial Instruments Directive (MiFID), the proposal will maintain the appropriate regulatory standards.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

Q2 Do you agree that exemption from withholding tax is a key element in encouraging the development of MTFs in the UK? To what extent are there other factors which would continue to impede it?

We agree that exemption from withholding tax is a key element in encouraging the development of MTFs in the UK. As mentioned in Q1, the measure is an important step in creating a fiscal environment that increases UK MTFs' competitiveness with other jurisdictions. It will provide smaller companies with another source of raising affordable capital that can help fund their growth and development.

Q3 As noted in paragraph 3.4, comments are invited on anticipated behavioural effects of the proposed change on the issuance of debt. In particular, to what extent would you expect issuances and trading to take place on any new UK MTFs which would otherwise have taken place on overseas venues in order to access the QEE?

We agree that UK companies would often prefer to issue debt on a UK trading venue if it were commercially competitive to do so.

Q4 The proposal could be achieved by widening the existing QEE or by providing a stand-alone exemption. Is there any commercial reason to prefer either of these over the other?

Although widening the existing QEE could achieve the proposal, we agree that the proposed new withholding tax exemption will deliver the same fiscal treatment. In any case, it will be essential that any new UK debt MTF is able to promote the market as providing the same fiscal framework as competitor stock exchanges located elsewhere. As the QEE is an established component of the UK's tax framework, any MTF operator seeking to access the withholding tax exemption would be required to explain clearly to market participants that the exemption provides the same commercial benefits as the QEE. This in turn will have a positive impact on issuers, advisors and investors, who will gain certainty in the UK taxation system.

Q5 Do you have any comments on the assessment of equality and other impacts in the summary of impacts on page 10?

We anticipate the economic impact of this policy proposal to be positive. The removal of an existing barrier will facilitate the development of UK debt markets and boost economic growth.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,



Tim Ward
Chief Executive

Quoted Companies Alliance Tax Expert Group

Paul Fay (Chairman)	Crowe Clark Whitehill LLP
Michael Bell (Deputy Chairman)	Osborne Clarke
Ray Smith	Clyde & Co LLP
Sam Dames	CMS
Nick Burt	
Mark Joscelyne	
Daniel Hawthorne	Dechert
Clare Phelps	Deloitte LLP
Emma Bailey	Fox Williams LLP
Shofiq Miah	
Holly Edwards	Frontier Developments PLC
Neil Pamplin	Grant Thornton UK LLP
Peter Vertannes	KPMG
Matthew Rowbotham	Lewis Silkin
Catherine Hall	Mazars LLP
Tim Crosley	Memery Crystal LLP
Tom Gareze	PKF Littlejohn LLP
Emma Locken	PricewaterhouseCoopers LLP
Richard Jones	RSM
Dan Robertson	
Neil Armstrong	Unattached
Vijay Thakrar	Unattached