HMRC - CFM98440 - Requirements: The Abbreviated Interest Restriction Return

TIOPA10/SCH7A/PARA20

The submission of an interest restriction return is only obligatory if a reporting company has been appointed, either by the group or by HMRC. A group that is not subject to interest restriction is not obliged to file a return or appoint a reporting company. Groups or single companies not within a group whose aggregate net tax-interest expense falls below the de minimis limit of £2m per annum are likely to prefer this approach.

However, where a group that is not subject to interest restriction has filed an interest restriction return, whether abbreviated or full, it is permissible to submit a revised return, which must be a full return up, to 60 months after the end of the period. This is to enable unused interest allowance to be accessed in later periods. Accordingly appointment of a reporting company and submission of a return is potentially advantageous.

Where a reporting company is in place, but the group does not expect to be subject to interest restriction in a period of account, it may elect under TIOPA10/SCH7A/PARA19 to submit an abbreviated interest restriction return rather than a full interest restriction return. The election is made in the return, PARA12(3)(g), and relates to a period of account. An election made earlier may be revoked, in a subsequent full interest restriction return. The reporting company can submit an abbreviated interest restriction return via a digital form on the government gateway. For more information on this process, see the CIR internet page.

Where an abbreviated interest restriction return is submitted for a period of account, it will not be possible to access the interest allowance for that period in a later period, S393. Where a group subsequently decides that it has a need to access that interest allowance it may submit a revised and full return, no later than 60 months after the end of the period of account - PARA9(2). An abbreviated return may include elections and a revised full return submitted later may include any elections for which the time limit has not passed.

The submission of an abbreviated interest restriction return is likely to be most appropriate for groups with the following characteristics:

The group’s aggregate tax-interest expense exceeds the £2m per annum de minimis limit; but

The level of aggregate tax-EBITDA and adjusted group-interest expense (ANGIE) are sufficiently high that no interest restriction will be due and;

This is also expected to be the case in later periods, so that the group will have no need to bring forward unused interest allowance from earlier periods of account.

If the assumption in the third bullet point subsequently proves to be incorrect, the group may revoke its abbreviated return elections for earlier periods and submit revised and full returns for those earlier periods, so as to make unused interest allowance available. Note that the election must be revoked and full returns submitted not only for the period of account whose allowance is to be accessed, but also for any intervening periods.

A group could choose to submit a return even if its aggregate tax-interest expense is less than the de minimis amount if it considers it possible that it might later need to access unused tax allowance for this period. Note that although the de minimis amount for a period sets a minimum level of interest capacity for a period, it does not increase any interest allowance available to carry forward.

An abbreviated return must state that the group is not subject to interest restrictions for the return period. It must include the following items from a full return (PARA20(5)).

PARA20(3)(a)

The name of the ultimate parent of the worldwide group, see TIOPA10/S473(4)(b). Where the ultimate parent has a Unique Taxpayer Reference (UTR), it must be stated. The UTR is a 10 digit number issued by HMRC where a taxpayer first registers for self-assessment. The UTR for a company is allocated by COTAX, typically when HMRC is first notified or becomes aware of the existence of a UK company, or of the UK taxable presence of a non-UK company.

PARA20(3)(b)

The return period of the return - the period of account of the worldwide group see TIOPA10/S480.

PARA20(3)(c)

The names and Unique Taxpayer References (where there is one) of all companies that were UK group companies at any time in the period of account. A UK group company is a company that is a member of the group and within the charge to corporation tax (TIOPA10/S492). Each UK group company should be identified as a consenting company or non-consenting company for the period of account

PARA20(3)(g)

There must be a declaration by the person making the return that the return is, to the best of that person’s knowledge, correct and complete. (This does not prevent the inclusion of estimated information, see PARA 27.)

A statement of calculations is not required.

There is no interest reactivation, so details are not required.

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