HM REVENUE & CUSTOMS

TAX NOTIFICATION - MULTIPLE LEGISLATIVE CHANGES

Reference:	HMRC-2025-CORP-LB-4892
Issue Date:	13 November 2025
Implementation Date:	6 April 2025
Classification:	URGENT - Action Required
Affected Taxpayers:	Large Business - Oil & Gas Sector

This notification serves as formal notice of multiple tax legislative changes affecting multinational corporations operating in the United Kingdom. These changes arise from Finance Act 2024, Spring Budget 2025 measures, and implementation of OECD Pillar Two framework.

CHANGE 1: CORPORATION TAX RATE - ENERGY PROFITS LEVY MODIFICATION

Priority: CRITICAL

The Energy Profits Levy (EPL) rate increases from 35% to 38% effective from 1 January 2025, bringing the combined headline tax rate for oil and gas companies to 78% (40% Ring Fence Corporation Tax, 38% EPL). The investment allowance within EPL is modified to 29% for qualifying expenditure on decarbonisation activities in the UK Continental Shelf (UKCS).

Key Provisions:

EPL Rate:	38% (increased from 35%)
Investment Allowance:	29% for decarbonisation projects
Sunset Clause:	31 March 2030 (subject to review)
Ring Fence CT Rate:	Maintained at 40%
Combined Rate:	78% on ring fence profits

CHANGE 2: TRANSFER PRICING - NEW DOCUMENTATION STANDARDS

Priority: HIGH

HMRC introduces mandatory standardised transfer pricing documentation requirements aligned with OECD Transfer Pricing Guidelines 2022. Master File and Local File must be prepared contemporaneously and submitted within 30 days of request. Country-by-Country Reporting (CbCR) threshold remains at £750 million but with enhanced data points required including environmental metrics and gender pay gap information.

Documentation Requirements:

• Master File including global value chain analysis and IP ownership structure • UK Local File with detailed functional analysis and economic benchmarking • Advance Pricing Agreement (APA) programme expanded for energy transition projects • Digital submission via HMRC online portal mandatory from April 2025 • Penalties of up to £3,000 per document for late filing, plus £300 daily

CHANGE 3: PILLAR TWO - GLOBAL MINIMUM TAX IMPLEMENTATION

Priority: HIGH

The UK implements OECD Pillar Two rules introducing a 15% global minimum tax for multinational groups with consolidated revenues exceeding €750 million. The Multinational Top-up Tax and Domestic Top-up Tax take effect for accounting periods beginning on or after 31 December 2023. Undertaxed Profits Rule (UTPR) applies from accounting periods beginning on or after 31 December 2024.

CHANGE 4: VALUE ADDED TAX - DIGITALISATION AND COMPLIANCE

Priority: MEDIUM

Making Tax Digital for VAT extends to all VAT-registered businesses regardless of turnover threshold from April 2025. New requirements for real-time reporting of cross-border B2B supplies exceeding £25,000 per transaction. Introduction of domestic reverse charge for construction services in oil & gas installations. Enhanced penalties regime with points-based system for late submissions.

Digital Requirements:

• Mandatory use of functional compatible software • Digital links between all VAT records • Quarterly supplementary data submissions for large businesses • API integration with HMRC systems required • Retention of digital records for 6 years

CHANGE 5: R&D; TAX RELIEF - MERGED SCHEME AND RATE CHANGES

Priority: MEDIUM

The merged R&D; scheme replaces separate SME and RDEC schemes for accounting periods beginning on or after 1 April 2024. Above-the-line R&D; credit rate set at 20% with additional conditions for qualifying activities. Enhanced support for green technology and carbon capture projects with 27% credit rate. Mandatory advance notification for first-time claimants and additional information requirements including detailed project descriptions and UK/overseas expenditure split.

CHANGE 6: DIVERTED PROFITS TAX - EXPANDED SCOPE

Priority: MEDIUM

DPT scope expanded to include digital services and intellectual property licensing arrangements. Rate remains at 31% with strengthened provisions for avoided PE and non-arm's length transactions. New safe harbour provisions for entities with UK revenues below £50 million or UK profits below £5 million. Enhanced cooperation with transfer pricing rules and clearer interaction with Pillar Two framework.

COMPLIANCE ACTIONS REQUIRED

Immediate Actions (By 31 March 2025): 1. Register for MTD for VAT if not already compliant 2. Review and update transfer pricing documentation to meet new standards 3. Calculate Pillar Two effective tax rates for all jurisdictions 4. Assess impact of EPL rate increase on 2025 cash flow projections **By 6 April 2025:** 5. Submit updated TP documentation to HMRC digital portal 6. File GloBE Information Return for Pillar Two compliance 7. Implement digital links for VAT record keeping 8. Review R&D; claims under merged scheme criteria **Ongoing Requirements:** 9. Monthly monitoring of Pillar Two safe harbours 10. Quarterly review of DPT exposure 11. Continuous TP documentation updates 12. Real-time VAT reporting for qualifying transactions

Legal Notice: This notification is issued under Schedule 36 Finance Act 2008 and constitutes formal notice of tax law changes. Non-compliance may result in penalties under FA 2007 Sch 24, interest charges under FA 2009 s 101, and potential criminal prosecution under TMA 1970. For Large Business customers, please contact your Customer Compliance Manager. For general enquiries, call HMRC Large Business Helpline on 0300 200 3700. If you disagree with any aspect of these changes, you have the right to appeal under s 31A TMA 1970 within 30 days of implementation.