

Our tax practice

As well as advising on the tax aspects of some of the biggest and most complicated mergers and acquisitions and corporate finance transactions, Slaughter and May provides a wide range of other tax-related services. These include stand-alone tax consultancy advice and advice on tax investigations and disputes, from initial queries to litigation or settlement.

Here are some examples of tax issues that we are currently discussing with our non-UK based clients.

Base erosion: the UK has implemented various changes in response to the BEPS project. The anti-hybrid rules are an example of the UK going beyond the OECD recommendations, and we are working with our clients to clarify that funding structures that ought not to be caught are outside the scope of the rules. We also believe that the impact of the corporate interest restriction will be felt more keenly as and when interest rates rise. The UK has ratified the Multilateral Convention and notified most of its treaties to the OECD so that (subject to the relevant treaty partner's agreement) the modifications to the UK's treaties required by BEPS can be made.

Digital economy: The failed EU-wide proposal for a digital services tax has resulted in individual proposals from EU countries, including the UK. Meanwhile, the OECD is focused on agreeing a global approach to taxing the digital economy by the end of 2020. We continue to encourage our clients to make their views heard and to help shape the new regime.

Diverted profits tax and transfer pricing: DPT has turned UK tax planning for a non-UK group on its head. Our clients are seeing DPT impact on historic transactions even where there is plenty of overseas substance. There is a considerable overlap between our transfer pricing practice and DPT, and our excellent relationships with the relevant teams at HMRC, together with our expertise in evidence gathering and tactical dispute resolution, have at times been as important as the technical analysis.

Real estate: we are advising overseas investors in, and developers of, UK real estate on the implications of significant changes to the tax regime for UK property assets. These include a broader scope for corporation tax as it applies to offshore developers and this year's extension to gains on

investment realisations. The introduction of the corporate interest restriction is also affecting a sector where leverage is often key.

State aid: We have been advising clients on their next steps following the EU's final decision in its State aid investigation into the UK's CFC rules. For some clients this has meant filing appeals, for others adopting a wait and see approach while preparing for the inevitable UK recovery process. We are also busy on the EU's State aid investigations into rulings in other EU jurisdictions.

UK source: we have experience in advising on whether or not interest payments have a UK source, a difficult question and one where case law does not provide clear guidance. It is often initially assumed that, so long as the borrower is not in the UK, UK withholding tax is not an issue, but recent case law illustrates the danger of this assumption. Under the multifactorial approach, the residence of the borrower is just one of many factors which must be taken into account.

Unacceptable tax behaviour: the UK continues to introduce provisions to tackle unacceptable tax behaviour, including criminal sanctions for facilitating tax evasion by others, penalties for advisers who enable unacceptable tax avoidance and a requirement on large groups to publish their tax strategy. The Senior Accounting Officer responsibilities, the Banking Code of Conduct and reputational and disclosure issues are also hot topics in this area, while many multinational groups have had to deal with the practical costs of tax authorities' enhanced information gathering powers.

US tax reform: US tax reform has had a significant impact on both US and non-US clients and we have, for example, been advising on restructuring international groups as a response to BEAT and GILTI.

Key contacts

If you would like to discuss our tax disputes practice, please contact any of the partners listed below or your usual contact at Slaughter and May.



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“Slaughters has always been exceptional.
They consistently produce not only very able
but also very commercial people.”

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