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TAX AND THE CITY

CLIENT BRIEFING

September 2025

In *Currys*, the FTT decides that the taxpayer had not disposed of the goodwill before leaving the chargeable gains group and so a degrouping charge under TCGA 1992 section 179 arose. HMRC plan to increase the compliance burden on financial institutions and card acquiring service providers in relation to third-party data from no earlier than 2027/28. Pension scheme administrators should consider how to comply with the increased administration burden on schemes when a member dies, under the proposed new rules from April 2027 for inheritance tax on monies payable from a registered pension scheme on a member's death. The Government also sets out its ten-year vision for the financial services sector in the Financial Services Growth and Competitiveness Strategy which does not include any tax changes but provides that tax regimes that affect the financial services sector will be kept under review.

Currys: TCGA 1992 s179 degrouping charge on goodwill taxpayer continued to hold at point of exit

Tax advisers and their clients are well aware that the s171 no gain/no loss rule has a sting in its tail in the form of a degrouping charge under s179(3) if a company which has acquired an asset from another group member ceases to be a member of the chargeable gains group before 6 years have passed since the time of acquisition. Since 2011, this sting will be removed, for a seller where the conditions are met, by the operation of the substantial shareholding exemption (SSE) applicable to the disposal of the shares in the company leaving the group extending to the degrouping charge that has arisen to the company leaving the group.

Where the conditions for SSE are not satisfied, or for transactions before the 2011 change mentioned above, the degrouping charge may still be avoided by waiting 6 years after an intragroup acquisition before exiting the group, or by transferring the relevant asset to another group company so it is no longer held on exit. It is the latter that the taxpayer argued it had done in *Currys Retail Limited v HMRC* [2025] UKFTT 762 (TC), the relevant asset being goodwill, but the FTT decided that the taxpayer had not actually disposed of the goodwill and still owned it when it left the group on formation of a joint venture. It was, therefore, subject to the degrouping charge with the result that corporation tax of around £30m was due. So where did the taxpayer go wrong?

The taxpayer, Currys Retail Ltd, formerly The Carphone Warehouse Limited (CPW), had entered agreements with Best Buy UK CP Ltd (BBUK), an unconnected company with which it became connected a few days later on formation of the joint venture, to dispose of the goodwill attached to four businesses for just under £51m. CPW filed its tax return for the period ended 31 March 2009 on the basis there was no s179 charge upon it ceasing to be a member of the chargeable gains group on 30 June 2008. The timeline for the enquiries/litigation is quite extraordinary. Although HMRC's enquiry into the return was opened in 2011, it was August 2020 when HMRC issued a partial closure notice (PCN) against which CPW could appeal to the FTT. CPW awaited the conclusion of HMRC's review of the PCN in September 2022 and then lodged an appeal with the FTT.

The taxpayer was unable to convince the FTT that the relevant contractual agreements effected a disposal of the goodwill. Rather than agreeing to transfer the business (with the goodwill), the agreement was to transfer the goodwill and the right to carry on the business. CPW then agreed to continue to manage the business as BBUK's agent.

Statutory construction

The FTT first considered the matter of statutory construction. The taxpayer argued that the case should be determined on the construction of the relevant contracts, whereas HMRC argued for purposive construction of the legislation. Judge Beare applied *Rossendale* [2022] AC 690 to decide the correct approach was for the legislation to be construed purposively and applied to the facts, viewed realistically, taking into account the contracts and the wider circumstances.

In order for there to have been a successful transfer of goodwill, the person to whom it was transferred also had to be transferred the benefit of the business to which that goodwill attached. That was not made out on the facts here. Only £1000 of the consideration was allocated to the sale of the right to carry on the business. BBUK's rights were limited to a small fixed percentage of gross revenues. It was CPW who controlled how the business was conducted and it was CPW who continued to be exposed to the risks and rewards of owning the business. The facts were unusual as the FTT found that CPW did not really want to make an actual disposal but wished to avoid the s179 charge. This fact was a relevant matter to be taken into account in reaching a realistic view of the facts.

Interaction of TCGA 1992 s179 and s22 TCGA

If BBUK had not paid to acquire the goodwill, what was the tax treatment of the payment it made to CPW? Although he did not need to decide this to dispose of the case, Judge Beare's view is that the payment was 'consideration for the right to be paid amounts equal to a fixed percentage of the future gross revenues of the Businesses and not consideration for either the Goodwill or the Businesses, both of which remained in CPW' and that 'that payment should properly be seen as a capital sum derived from the Goodwill and therefore as giving rise to a part disposal of the Goodwill'. Section 22 treats a capital sum derived from an asset as a part disposal at the time when the capital sum is received.

You might have thought (as the parties did initially) that such a part disposal would have a bearing on the amount of the s179 charge but this is not how the charging provision works. As the s22 part disposal is not a 'natural disposal' (to use the phrase from CG12940), the goodwill was still held on exit and so the s179 charge is triggered in respect of the whole of the goodwill which is treated as disposed of and immediately reacquired for market value at the time of the intra-group acquisition. The s22 part disposal would then be calculated separately using part of the base cost of the whole asset in the usual way for part disposal calculations but would occur subsequent to the s179(3) charge because of the timing rule in s179(4). Section 179(13) would then require the later calculations use the figures from the s179 deemed disposal to (re)calculate the later part disposal.

The partial closure notice related only to the section 179 charge, however, so the taxpayer and HMRC will have to resolve the other tax consequences of the transaction in separate proceedings.

L-Day materials relevant to financial institutions

Draft legislation for inclusion in Finance Bill 2026 was published on 21 July 2025, 'L-Day'.

Third-party data: new recurring reporting obligations and due diligence

Financial institutions and card acquiring service providers will be required to report, respectively, financial account information on interest and card sales to HMRC. This measure is part of HMRC's reforms to use third-party data to make it easier for taxpayers to 'pay tax right first time' and was consulted on earlier this year. In a move away from the current, inefficient notice-based approach (HMRC currently sends thousands of notices each year to financial institutions and providers of card acquiring services requesting data), modern standing reporting obligations will be introduced where quality data is provided closer to real time. The first phase of reform will require financial account information to be reported quarterly (as opposed to monthly as initially proposed) with some carve outs. Card sales data will need to be provided monthly (as is current practice).

In response to feedback that complexities of some types of interest-bearing products (such as compensatory interest payments) would make it difficult to comply with new mandatory reporting requirements, the Government will seek to include a carve-out from some, or all, of the new reporting requirements for some isolated products. Tax identifier references (such as National Insurance numbers) will need to be collected for new and existing accounts, with some exemptions to be worked out.

Primary legislation will be published in Finance Bill 2025/26 but the detail (such as the types of data-holders, the data they should provide and the frequency of reporting) will be in secondary legislation to be made after Royal Assent. The measure will have effect from 'no earlier than the start of tax year 2027/28'. Plans to collect further datasets (e.g. relating to dividends and other investment income) will be subject to consultation in due course.

Financial institutions and providers of card acquisition services should be aware of the increased compliance burden of: standing reporting obligations; the need to request, collect and report tax identifiers for certain accounts for matching to taxpayer records; and carrying out due diligence checks on data quality. HMRC urge data suppliers to 'take advantage of the opportunity to modernise and automate its processes where possible when moving to quarterly reporting'. In due course HMRC expect a move closer to real-time reporting and to collect further datasets and so recommend that reporting solutions are both scalable and future-proof.

Proposed IHT reform increases administration burden on pension fund administrators

It was announced in the Autumn Budget 2024 that unused pension funds and death benefits would become liable to inheritance tax (IHT) from April 2027 and that the obligation to account for this tax would fall on scheme administrators. Further details about how these proposals will work (adding to the administrative burden on schemes

when a member dies) were published on L-Day, along with draft legislation.

IHT will be chargeable on monies payable from a registered pension scheme on a member's death, including unused direct contribution funds and death benefits. Death in service benefits payable from registered pension schemes will be excepted from IHT whether or not they are discretionary so schemes may wish to consider removing the element of discretionary distribution in some cases. Pensions payable to dependants and spouses directly from the scheme or from a separate joint life annuity are out of scope of the new requirements.

Rather than the scheme administrators being liable to report and pay the IHT on unused pensions funds and death benefits (as announced at the Autumn Budget 2024), the deceased's personal representatives will primarily be liable, although a beneficiary can direct the scheme administrator to pay the IHT on their behalf (if the amount is £4000 or more) or can pay it directly. If a scheme administrator receives a notice from a beneficiary asking them to pay the IHT and the IHT is £4000 or more, this must be paid within 3 weeks or the scheme administrator will become jointly liable for the IHT. If a request is made for an IHT amount less than £4000, the scheme administrators have discretion whether to make the payment or not.

Once the scheme administrators have received notification of the member's death and determined the relevant details of the beneficiaries, they will have 4 weeks to provide the personal representatives with 'as at death' information about the value of any in-scope unused pension funds or death benefits. HMRC expects the pensions industry to provide clear guidance and support to the beneficiaries in respect of IHT due and the options for paying it. Further details are expected in draft information sharing regulations.

Making the UK the number one destination for financial services

Although the UK's financial services sector has not grown as a whole in real terms since 2010, financial services are central to the Government's growth mission. The Government set out its ten-year vision for the financial services sector in the Financial Services Growth and Competitiveness Strategy (FSGCS), referred to as the 'Leeds reforms' (as it was launched in Leeds), to unleash the vast potential of the UK's world-leading financial services sector and make the UK the location of choice for financial services firms to set up, invest, grow and sell their services to the world. A key feature is moving away from risk aversion towards a more internationally competitive approach to regulation and includes the introduction of a new competitive framework for captive insurance.

Notably, the FSGCS does not include any tax changes but states that tax regimes that affect the financial services sector will be kept under review whilst noting that '[c]lear, sound fiscal policy is key to economic stability, investment and growth, and excellent public services can only be delivered by a tax system that raises revenue in a fair and sustainable way. At the same time, the Government recognises that the tax system has a vital role to play in supporting the Government's growth mission.' There is considerable pressure on the Chancellor to raise taxes at the Autumn Budget, but targeting financial services would appear to run counter to the aims of the Leeds Reforms.

What to look out for:

- **15 September is the closing date for comments on the draft Finance Bill 2026 legislation published on L-Day.**
- **The Autumn Budget will be held on 26 November (later than many anticipated) which leaves lots more time for speculation on what might be included in it!**

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