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UK Tax Quarterly Update – February 2022

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In this client alert, we outline a number of significant UK and international tax developments of recent weeks and months, many of which will continue to take shape as we move forward into 2022.

In the UK, domestic tax policy looks set to play as important a role as ever as the government continues to walk the tightrope of seeking to stimulate economic activity and investment, whilst raising much needed revenue. Forecasters have predicted strong economic growth over 2022, but this is against the backdrop of record pandemic borrowing, a drop in tax revenue figures for 2020/2021, high inflation and expected interest rate rises (of course exacerbating the government's cost of borrowing). Many will find themselves wondering if the current government will be able to hold out on all aspects of the "triple tax lock" pledge to not raise income tax, National Insurance contributions or VAT until 2024 – of course already side-lined in relation to National Insurance contributions which are due to increase by 1.25% from April 2022.

In the international tax arena, 2022 promises to be a seminal, perhaps "make or break", year. The OECD's BEPS 2.0 project is in full motion, at least as regards Pillar II in relation to which model rules were published in a flurry of activity in December 2021. With a scheduled 2023 effective date, some degree of turmoil looks inevitable as numerous stakeholders get to grips with the finer details of local implementation – and that's before we even begin to understand the interplay with US domestic tax policy and reform. Pillar I proposals on the other hand would appear to be considerably less advanced and so far less certain to succeed, although model rules for domestic implementation are still expected in early 2022.

In any event, we expect to see the UK government continue to stake the UK's claim to be "open for business", with significant measures in the asset management and investment funds sector in particular which seek to enable the UK to compete with other jurisdictions and bolster the financial services components of the UK economy – as analysed further below.

We hope that you find this alert useful. Please do not hesitate to contact us with any questions or requests for further information.

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Gibson Dunn's lawyers are available to assist with any questions you may have regarding these developments. For further information, please contact the Gibson Dunn lawyer with whom you usually work, any member of the Tax Practice Group, or the authors in London:

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