

# The UK Debt Cap

## Debt Cap reporting tool

### *Meeting the reporting requirements of the new debt cap rules*

If you are a member of a group of companies and subject to UK taxation, you could be affected by the tax treatment of financing costs and income rules – otherwise known as the “debt cap” rules.

The rules apply for accounting periods beginning on or after 1 January 2010 and may have wide ranging implications for many groups.

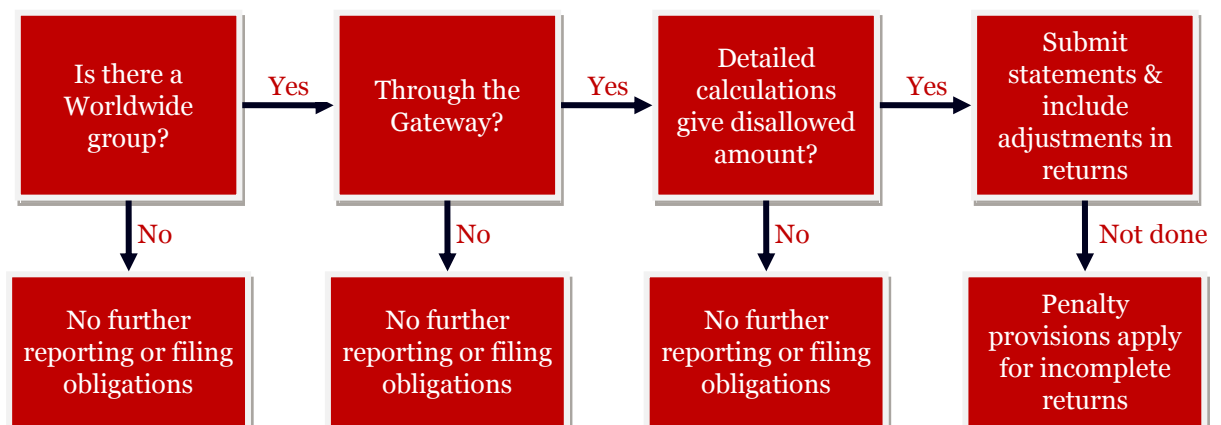
### *What is the effect of the rules?*

The broad effect of the rules is to restrict UK tax deductions for financing expenses to the level of the group’s external financing expenses.

The rules apply to “large” groups with 75% UK subsidiaries and in order to determine how the rules operate two tests are applied:

- The Gateway test: a balance sheet test to establish whether the threshold is met and the rules apply; and if so
- An income and expense test: to establish whether any restrictions apply and as a result if any reporting requirements are needed.

The process is summarised below:



## ***What do you need to do?***

You should be considering whether you are affected by the rules, how to minimise the effect of any adjustments and how best you can meet your compliance reporting obligations. The new rules are complex and the reporting requirements could be costly in terms of time devoted to the calculations.

Whether you've already established that you've passed the gateway test and consequently have to perform the detailed calculations, or you're still in the process of carrying this out, we can help you.

## ***How can we help?***

Our team can help you report the impact of the debt cap rules on your group. We've developed a debt cap reporting tool which can be used to capture the required data, process the required calculations, and provide the necessary reports to HM Revenue & Customs (HMRC) to help you meet the extra compliance reporting requirements.

Additionally, as the debt cap review needs to be undertaken annually to ascertain whether the group is in or out of the rules, our team can assist you monitor this.

## ***Key benefits of PwC's debt cap reporting tool***

Our service is designed to help you calculate the impact of the rules on your group while meeting your reporting responsibilities in full and on time.

We're completely flexible to suit your needs and can assist you in the best way possible. Our Debt cap reporting tool is entirely standalone which offers enhanced flexibility for users with different software systems. The benefits include:

- You can complete the data input sheets or provide the information for us to do this.
- You can agree with us the best approach to performing the calculations and review.
- It's in Excel, so it can be used alongside any other software you use for example where you combine in-house computations with outsourcing.
- It supports decisions making for managing any restrictions and elections through manual adjustments.
- It produces the reports you'll need to submit to HMRC from which the final computations can be updated to include your chosen amendments.

## ***Contacts***

**If you'd like to talk to us about how we can help you meet the reporting requirements of the new debt cap rules, please contact your usual PwC adviser or:**

<b>Saul Taylor</b>	<b>+44 (0)20 7804 1279</b>	<b>saul.taylor@uk.pwc.com</b>
<b>Sandra Sleeman</b>	<b>+44 (0)121 265 5526</b>	<b>sandra.sleeman@uk.pwc.com</b>
<b>Joanna Baskeyfield</b>	<b>+44 (0)161 245 2131</b>	<b>joanne.k.baskeyfield@uk.pwc.com</b>
<b>Liz Doyle</b>	<b>+44 (0)1727 89 2134</b>	<b>elizabeth.k.doyle@uk.pwc.com</b>
<b>Justine Bednall</b>	<b>+44 (0)121 232 2958</b>	<b>justine.bednall@uk.pwc.com</b>
<b>Jane Pomfret</b>	<b>+44 (0)121 232 2879</b>	<b>jane.e.pomfret@uk.pwc.com</b>
<b>Paul Matthews</b>	<b>+44 (0)121 265 57655</b>	<b>paul.f.matthews@uk.pwc.com</b>

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2011 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.