



Water 2020 - Risk and Return Workshop - Taxation

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We previously set out that we would look at the methodology we use when setting allowances for corporation tax. Our review takes account of:

- the NAO report which concluded companies had paid less tax than we remunerated in 2010-15
- conclusions of Alvarez and Marsal's targeted review of tax in 2016

We appointed Deloitte to help us consider:

- Whether the approach we used at PR14 worked as we had expected and how could it be improved for PR19?
- How should we address any inconsistencies in the approach?
 - treatment of capital allowances
 - group relief
- How should we deal with changes in tax legislation?
 - Tax rates
 - BEPS

The purpose of this session is to capture views as we develop a proposed approach for the PR19 methodology

Key areas being considered by Deloitte

- Overall approach to corporation tax
- How should the new interest restriction legislation be incorporated into the tax allowance
- How should we take account of group relief
- Is the existing approach to capital allowances appropriate
- Should we introduce a formal mechanism for ex-post adjustments?



Discussion 1

Do you agree with the proposed changes to setting tax allowances at PR19 and is there anything else we should consider?

- Approach to capital allowances
- Group relief
- Use of an ex-post true up

Discussion 2

What are your views on the proposed approach to addressing the new BEPS legislation?