Saffery

4 September 2026

Simplifying Treaty Relief from Withholding Tax on Interest Paid Overseas

Comments from Saffery LLP

Saffery LLP is a member of Nexia, a leading, global network of independent accounting and consulting firms that are members of Nexia International Limited. Nexia International Limited, a company registered in the Isle of Man, does not provide services to clients. Please see https://nexia.com/member-firm-disclaimer/ for further details.

Saffery

1. Executive summary

1.1 We welcome the opportunity to comment on the proposals to simplify the administration of treaty relief from withholding tax on interest paid overseas.

1.2 In summary, our key points are as follows:

- The current regime creates unnecessary administrative burdens because the withholding obligation rests with the UK payer while treaty relief applications are generally made by the overseas recipient
- We support the introduction of a self-assessment regime for treaty relief on interest payments.
- Restricting access to self-assessment through interest deductibility thresholds would add complexity and may disadvantage smaller businesses.
- The CT61 process should be removed and reporting requirements incorporated into the corporation tax return.
- An annual reporting process would reduce compliance costs for taxpayers and HMRC and may improve reporting accuracy.
- Existing self-assessment sanctions should apply, with no separate penalty regime for withholding tax reporting requirements.
- Any advance certainty facility would be difficult to operate where entitlement depends on representations made by recipients.

1.3 Section 2 below covers our responses to the specific questions raised in the consultation document.

1.4 We would be happy to discuss the points raised here in further detail. If you have any questions, or would like any further information, please contact: Sean McGinness, National Tax Partner, on +44 (0)131 221 3217 or email sean.mcginness@saffery.com or Ami Jack, Partner, National Tax, on +44 (0)330 094 3079 or email ami.jack@saffery.com.

2. Specific consultation questions

2.1 Question 1: To what extent do the current processes for obtaining treaty relief on interest create delays, costs, or administrative burdens? Which specific aspects cause the most difficulty? Please provide examples or evidence where possible.

2.1.1 The current process creates administrative burdens with the obligation to withhold tax resting with the UK payer, whereas the treaty relief application must be made by the overseas recipient of the interest (unless the Double Taxation Treaty Passport Scheme (DTTPS) applies).

2.1.2 This means that obtaining treaty relief requires co-ordination between two separate parties, each with its own professional advisers.

2.1.3 As a result, the process can involve additional administration, correspondence and professional costs compared with a system where the party responsible for operating the withholding obligation is also able to obtain the relief directly.

2.2 Question 2: How well does the current process for obtaining directions in advance of payments of interest allow easy and certain access to treaty relief?

2.2.1 The DTTPS works more effectively than the treaty clearance process because it can be completed by the borrower without requiring the same level of involvement from the overseas recipient.

2.2.2 Obtaining a direction under the DTTPS is often required before lending can proceed.

2.2.3 However, difficulties can arise where interest is paid shortly after the loan agreement is entered into and the direction has not yet been issued.

2.2.4 In those circumstances, the process may not provide certainty that treaty relief will be available from the first interest payment date.

2.3 Question 3: Should UK payers of interest to lenders in jurisdictions with whom the UK have a double taxation agreement be permitted to apply treaty relief on interest payments without prior HMRC clearance? What would be the benefits and risks of this?

2.3.1 Yes.

2.3.2 As part of tax due diligence work, we frequently encounter situations where withholding tax obligations have not been operated correctly and the relevant reporting requirements have not been met. The current system therefore does not provide HMRC with full reporting in relation to all relevant payments.

2.3.3 In our view, a self-assessment regime would improve reporting and compliance because it would be more familiar to taxpayers, particularly if reporting requirements were aligned with the corporation tax return.

2.4 Question 4: How would moving to self-assessment of treaty relief benefit your business (such as time saved, reduction of fees, cash-flow improvements, greater certainty)?

2.4.1 The main benefit would be a reduction in the number of filings with HMRC, assuming the CT61 process is removed alongside the introduction of a self-assessment regime, as we recommend in our response to Question 11.

2.4.2 If implemented appropriately, a self-assessment regime could significantly reduce the administrative burden on taxpayers and HMRC by removing the separate treaty relief application process and the quarterly interactions associated with obtaining, completing and submitting CT61 forms.

2.5 Question 5: Do you have a view on how interest payers would satisfy themselves that all the requirements for treaty relief are met before applying treaty relief to payments? What experience do you have in other jurisdictions where self-assessment of treaty relief is possible? How well does this work?

2.5.1 Where lending is provided by a third-party lender, the borrower would satisfy itself that the relevant conditions for treaty relief are met through lender warranties in the loan agreement.

2.6 Question 6: Should self-assessment of treaty relief only be available where the risk of base erosion is low because the payer is subject to other effective restrictions on interest deductibility? If so, what would be a good basis for a threshold (such as being subject to transfer pricing rules, having net finance costs exceeding the de minimis for Corporate Interest Restriction, being subject to Pillar 2, or some combination of these)?

2.6.1 We do not consider that self-assessment should be limited by reference to thresholds based on interest deductibility restrictions.

2.6.2 Introducing such thresholds would add complexity to the regime. For example, entitlement could vary from year to year where interest amounts fluctuate due to factors such as foreign exchange movements.

2.6.3 Smaller payers are likely to benefit most from a self-assessment regime and HMRC would gain additional information through the associated reporting process.

2.6.4 Larger payers are more likely to have processes already in place to manage existing requirements.

2.7 Question 7: Would it be necessary or helpful to introduce a facility for interest-payers to obtain certainty in advance of paying interest that HMRC agrees treaty relief is available? How might such a facility work? Are you aware of other jurisdictions providing such a facility?

2.7.1 Such a facility could be helpful in principle.

2.7.2 However, in practice it is unclear how it would work. Payers would still be relying on representations made by recipients, for example in relation to beneficial ownership.

2.7.3 In those circumstances, it is not clear how HMRC would verify that the relevant conditions for treaty relief are satisfied before interest is paid.

2.8 Question 8: Are there other jurisdictions you have experience of where the administrative burden to obtain treaty relief is low, but the regime still provides effective protection against base erosion using interest? What are the requirements in such jurisdictions when paying cross-border interest? How is protection against base erosion achieved (particularly for owner-managed businesses)?

2.8.1 Under the US system, the recipient is responsible for self-assessing its entitlement to treaty benefits on Form W-8BEN rather than the payer.

2.8.2 While this approach reduces the administrative burden for the payer, it can be onerous for non-US taxpayers who may be unfamiliar with US tax concepts.

2.8.3 As a result, the risk of inadvertent error is very high.

2.9 Question 9: Do you have any comments on the potential impacts of these changes on tax receipts or avoidance/evasion behaviour? We are especially interested in how businesses and lenders might respond to changes.

2.9.1 We expect the impact on tax receipts and avoidance or evasion behaviour to be very small.

2.9.2 In our experience, interest payments are often made gross where the relevant direction has not been obtained. In many cases, this arises through a lack of awareness of the requirements rather than deliberate non-compliance.

2.9.3 Taxpayers who comply with the current requirements are likely to continue to do so under a self-assessment regime.

2.9.4 Bringing the obligation within the normal self-assessment process should increase awareness of the requirements and improve compliance.

2.10 Question 10: What reporting requirements are imposed in other jurisdictions in which you have significant operations/investments?

2.10.1 No comment.

2.11 Question 11: Would it be significantly burdensome to report payments made with complete relief (so that no UK tax is due) in the CT61, alongside payments made without relief or with partial relief? Would it be preferable instead to report them alongside treaty rated cross-border royalty payments in the CT600H? Why?

2.11.1 We do not consider there to be any benefit in retaining the CT61 process alongside a self-assessment regime.

2.11.2 An annual reporting process would be better than the current quarterly regime and would reduce compliance costs for both taxpayers and HMRC.

2.11.3 If reporting requirements were incorporated into separate pages within the corporation tax return, they could be completed as part of the annual filing process. This would also increase the likelihood of tax agents being involved and may improve reporting accuracy.

2.11.4 Incorporating the reporting requirements into the corporation tax return would also remove the need to obtain CT61 forms from HMRC. In our experience, this can itself be a cause of delay because the forms cannot be downloaded directly from GOV.UK.

2.12 Question 12: What sanctions are imposed in other jurisdictions in which you have significant operations/investments?

2.12.1 No comment.

2.13 Question 13: What would be a proportionate but effective set of sanctions for non-compliance in this area? How should this apply in the following circumstances?

- **where treaty relief is applied but the conditions for relief being available are not met**
- **where treaty relief is applied, the conditions for relief are met, but there has been a failure to comply with any requirement in advance of the payment (such as to obtain a certificate of residence or creditor certificate)**
- **where treaty relief is applied, the conditions are met, but there has been a failure to comply with reporting requirements after the payment**

2.13.1 Based on our suggestion that reporting requirements are incorporated into the corporation tax self-assessment return, we consider that the normal self-assessment sanctions should apply. There should be no separate or additional sanctions specifically for non-compliance with the withholding tax reporting requirements.

2.14 Question 14: Are there any other options or ideas for simplifying the withholding process on interest that you believe the government should consider? This could include international examples not mentioned above, or innovative uses of technology or data sharing.

2.14.1 We reiterate our view that the CT61 process should be removed and that reporting requirements should instead be incorporated into the corporation tax return.

2.14.2 If the CT61 process is retained, HMRC should make blank CT61 forms available on GOV.UK to reduce administrative delays.

2.15 Question 15: Do you have any other comments in relation to changes which could be made to the current system for withholding on payments of interest and how these would impact (positively or negatively) to your/your clients' organisation? This may be in the form of time saved per transaction, reduction in fees, cash-flow.

2.15.1 No comment.

3. About Saffery LLP

3.1 At Saffery, we're more than just chartered accountants and tax and business advisers. We're a partner-led and people-focused firm, committed to our clients and honouring our heritage.

3.2 Since 1855, we've evolved in size and scope, but our unwavering dedication to exceptional client service remains the same.

3.3 As a proud member of Nexia, a worldwide network of trusted member firms, we've got access to local insight on a global scale.

3.4 In the UK, Saffery LLP is the 15th largest accountancy firm by fee income, with 90+ partners and 1,300+ staff across nine offices. Saffery also has an office in Dublin, Ireland.