



CONSULTATION ON SIMPLIFYING TREATY RELIEF FROM WITHHOLDING TAX ON INTEREST PAID OVERSEAS

Issued 7 September 2026

ICAEW welcomes the opportunity to comment on the Consultation on Simplifying Treaty Relief from Withholding Tax on Interest Paid Overseas published by HMRC on 13 July 2026, a copy of which is available from this [link](#).

- We support the proposals for the treaty rate of withholding tax applicable to UK interest payments to move to a self-assessment basis. Our members anticipate that this would save considerable administrative time and expense in obtaining treaty clearance before payments are made.
- This has been a particularly onerous requirement since HMRC removed the concession earlier this year which applied when UK-source yearly interest was paid gross to a treaty-entitled overseas lender. The borrower could make a voluntary disclosure so that they were assessed for late-payment interest only, but this concession has now been removed.
- We do not believe that any size or other qualifying criteria should apply to include or exclude payers from the updated regime.
- The government may wish to review the equivalent procedures used in Ireland as an example of a system that works well in practice for both borrowers and lenders.

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

This response of 7 September 2026 has been prepared by ICAEW's Tax Faculty.

Internationally recognised as a source of expertise, ICAEW's Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 211,600 members and students around the world. 81 of the top 100 global brands employ ICAEW Chartered Accountants. 82% of FTSE 100 companies have an ICAEW member on their board. Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor more than 11,500 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

© ICAEW 2026

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: taxfac@icaew.com

KEY POINTS

1. We support the proposals for the treaty rate of withholding tax applicable to UK interest payments to move to a self-assessment basis. Our members anticipate that this would save considerable administrative time and expense in obtaining treaty clearance before payments are made.
2. This has been a particularly onerous requirement since HMRC removed the concession earlier this year which applied when UK-source yearly interest was paid gross to a treaty-entitled overseas lender. The borrower could make a voluntary disclosure so that they were assessed for late-payment interest only, but this concession has now been removed.
3. We do not believe that any size or other qualifying criteria should apply to include or exclude payers from the updated regime.
4. The government may wish to review the equivalent procedures used in Ireland as an example of a system that works well in practice for both borrowers and lenders.
5. We have only answered a small number of the specific questions raised in the consultation document.

ANSWERS TO SPECIFIC QUESTIONS

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?

6. The regime in Ireland is probably the best example of an equivalent to HMRC's proposed method.
7. Under this system, the payer obtains a self-completed declaration (Form 8-3-6) confirming that the payee is the beneficial owner of the interest and is treaty-resident, supported by a certificate of residence from the payee's home tax authority. The Irish Revenue accepts this in lieu of having the form separately certified.
8. Relief is then given automatically, with no prior Revenue approval needed. This shows a self-assessment model can run on a modest evidential base (one certificate plus a declaration) without excessive administrative overhead for the payer.

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)?

9. A threshold tied to existing anti-erosion regimes (Corporate Interest Restriction de minimis, transfer pricing applicability, Pillar 2 status) could be a sensible starting point, since it is based on existing qualifying criteria, rather than creating a new test.
10. However, over-restricting eligibility risks reproducing much of the current burden for smaller and mid-market borrowers, who are often the ones most affected by clearance delays relative to deal size. We therefore recommend that no such restrictions are applied.
11. We believe that reporting obligations (Questions 10–11) and penalties (Question 13) would provide sufficient protection without a bright-line eligibility threshold, which would itself need administering.

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?

12. It would certainly be helpful to provide an optional advance clearance route for businesses seeking certainty on the withholding tax treatment of interest payments before arrangements are entered into.
13. In the interests of continuity, an updated version of the existing DTTP (double taxation treaty passport) process for lenders could be adopted, without the need for borrowers to submit a DTTP2 to HMRC. Essentially, borrowers would obtain confirmation from the lender that they have a passport issued under DTTP and then use this as confirmation that the relevant treaty rate can be applied.
14. It is important that any clearance service can be operated digitally at all stages so that delays are not caused by processing paper correspondence.

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?

15. Our preference would be for reporting to take place alongside treaty rated cross-border royalty payments in the CT600H. We believe that this would create the smallest administrative burden on interest payers.
16. We appreciate that HMRC may wish to have more real-time information about interest payments being made from the UK. However, we anticipate that the information that would have been expected to be gathered through completion of CT61s is now largely replicated through the exchange of information achieved via the common reporting standard (CRS).

APPENDIX 1

ICAEW TAX FACULTY’S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory.** Tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see [Ten Tenets for a Better Tax System | ICAEW](#)