

Policy Focus



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October 2011

BABC Policy Action:

In three detailed submissions to the British Government in September, 2011, we urged the Government to make certain amendments to the changes it was proposing to make to the taxation of non-domiciled individuals, economic migration/employment-related settlement, and statutory residence testing, in response to the Government's consultations on these three issues. In our submissions, we outlined our members' views and concerns about the impact that these changes would have on their business as well as on the UK's attractiveness as a location for domestic and foreign investment, and made specific recommendations as to the actions and amendments that we felt the Government should undertake. Details follow below.

Economic Migration: In our response of September, 2011, to the UK's Border Agency's consultation on economic migration and settlement in the UK, we highlighted our concerns about the proposed additional limitations to be placed on highly skilled workers coming into the UK. As we had in previous submissions on this issue, we stressed the importance of allowing companies to bring such workers into – and retain them in -- the UK; and noted the negative impact on the UK economy and on foreign investment in the UK, if the option to keep certain skilled workers beyond the imposed five year limit was removed. We urged the Government to keep the immigration route for skilled workers flexible and to conduct an economic impact assessment before making any changes that could damage the short and longer term business interests of the UK.

Please [click here](#) to read a copy of the letter.

UK Taxation of Non-Domiciles: In our submission of September, 2011, in response to HM Treasury's consultation on proposed reforms to the taxation of non-domiciled residents, including notably U.S. citizens, we noted the likely negative impact of these reforms on our member companies and on US investment into the UK, and urged the Government to provide absolute clarity about the tax impact of the

Brussels

EU reaches deal to expand Syria sanctions

The European Union reached agreement on 31 August to broaden sanctions on Syria that include an oil embargo, paving the way for what could prove the most significant step taken against the regime of President Bashar-al-Assad over his crackdown on protestors. Member states have agreed to give companies with existing oil import contracts until 25 November to comply with an oil embargo.

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ICB Publishes Banking Reform Report

On Monday 12 September, the Independent Commission on Banking submitted its final report recommending far-reaching changes to all banks headquartered in the UK.

The key change proposed by the report was the need for banks to separate, or "ring fence," their retail banking and investment banking operations so that taxpayers would not be liable for the operations of the riskier investment banking operations. The report also recommended that banks should maintain equity capital of at least 10% of their risk-weighted assets – a limit higher than prescribed by Basel III rules that suggest 9.5%. The Report proposes that reforms should be implemented by the beginning of 2019.

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UK Net Migration Rises 21%

Net migration to the UK increased by 21% in 2010 to 239,000, as the number of people moving to Britain remained unchanged but the number leaving to live in other countries fell to its lowest level in five years. The Office for National Statistics on 25 August said the number of people immigrating to the UK in the year to December 2010 was 575,000 – similar to the annual level of immigration seen since 2004. The number of people emigrating from the UK, which has

proposed reform on the overall tax position of U.S. citizens. We have since received a response from the Treasury clarifying certain issues to our satisfaction and will be following up on other points that still remain uncertain and/or problematic once the current Consultation process is completed.

Please [click here](#) to read a copy of the letter.

Statutory Definition of Tax Residence: In our response to this Consultation, we outlined the importance of the Government's providing certainty as to which individuals have the status of being resident in the UK for tax purposes and how the regulations will apply in practice for our member companies looking to bring workers into the UK.

Please [click here](#) to read a copy of the letter.

UK Bribery Act 2010: We were pleased that, in its final legislation on this Act, the Government took account of the concerns we had previously expressed -- on the 'adequate procedures' issue, the transatlantic differences on the treatment of facilitation payments and on acceptable levels of corporate hospitality -- in our representations to the Lord Chancellor and Secretary of State for Justice. However, we still remain concerned about certain aspects of the Act and will continue to monitor its practical impact on our member companies with a view to possible further representations on this issue.

Please [click here](#) to read a copy of the letter.

fallen consistently since the financial crisis began in 2008, stood at 336,000 in the year to December.

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UK and Switzerland Seal Deal on Tax Evasion

On 25 August, the UK signed a treaty with Switzerland allowing it to access previously undeclared British deposits in Swiss accounts and charge a levy of up to 39%. Britain's agreement follows a similar deal the Swiss struck with Germany and comes amid continues tax-evasion probes in the US on Swiss banks. UK Chancellor of the Exchequer George Osborne said it is even more important to address tax evasion in an economic downturn.

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Online shopping in EU doubled over past 5 years

The number of EU consumers buying goods and services online doubled to 40% in 2010 from 20% in 2005, but the growth came mainly in countries where e-commerce was already widespread and shoppers in Southern and Eastern Europe remain much less likely to buy online. Internet access among EU households, which is key to online shopping, has almost doubled over the past five years, reaching 70% in 2010, according to the latest Eurostat data. Access was highest in the Netherlands with 91%, while only 33% of Bulgarian households had an internet connection.

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