THE INVESTMENT ASSOCIATION

Spring Budget 2023: Submission from the IA

Investment Management: Powering the UK economy

Investment management is the industry which connects long-term savers looking to grow their money with the businesses and infrastructure projects which can use this capital to develop.

Members of the Investment Association own around one third of all UK equities and invest in many thousands of unlisted and high growth companies; projects that bring us closer to Net Zero and fuel our social infrastructure; and UK government debt. We provide over 122,000 jobs, manage £1.6trillion invested directly in the UK economy, and are responsible for 4% of the UK's total exports in services. A thriving investment management sector is therefore integral to the health of the wider economy.

We are immensely supportive of the Edinburgh Reforms package, and share the government's vision of an open, sustainable, and technologically advanced financial services sector that is globally competitive and acts in the interests of communities and citizens.

However, we believe that there are three main areas in which this Budget could take this further: enabling investment managers to take further advantage of international opportunities; drawing on the industry's strengths to grow the wider economy; and building a tax regime which underpins this work.

This submission to the 2023 Budget sets out how that might happen.

About the Investment Association

The Investment Association (IA) represents UK investment managers, and our members collectively manage £10 trillion on behalf of clients. Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth by funding businesses and infrastructure programmes

The IA provides outreach and career opportunities to those looking for entry level jobs through an industry led scheme called Investment20/20. Investment20/20 provides

training and routes into investment management for people from all backgrounds who may not have previously considered a career in financial services.

The IA also has a FinTech accelerator, Engine, which is boosting the investment management industry's adoption of new technologies and helping investment managers to identify new investment opportunities, work more efficiently and cut costs, ultimately benefiting our customers.

For further information, please contact politics@theia.org.

Priority one: Seizing international opportunities

The UK is a global leader in investment management: £4.6trillion is managed here for overseas savers, and this lets us power the UK directly in terms of tax revenue and jobs. Supporting investment managers to provide world class products and services also means that that excellence is enjoyed by consumers at home, and decisions on investment are taken close to UK companies and projects. This section sets out opportunities to keep the UK a world class centre, a place we are in danger of losing.

1. Build A Competitive Regulatory System

The Financial Services and Markets Bill and the highly welcome Edinburgh Reforms build the foundation for a regulatory system which empowers investment management to play its full role in the economy: channelling capital into growing businesses and helping consumers to meet their long-term financial goals.

The new regulatory Secondary Objective for Competitiveness and Growth is key to building an environment which will enable us to provide the best possible service to our customers in the UK and globally. Competitiveness boosts our international standing, helping us to directly support the economy in terms of tax revenue and jobs. Without the UK's strength as a global centre for investment management, investors would not benefit from the same range of opportunities to invest for later life which are specifically tailored to their needs.

This global success story is dependent on the right regulatory framework. However in our experience, regulators have not always paid sufficient regard to economic growth and international competitiveness resulting in a loss of jobs and tax-take.

It is now vital to ensure that the Secondary Objective is appropriately implemented and scrutinised. This should involve the development of appropriate metrics to measure regulators' progress in this area; focus on culture and resourcing within regulators to encourage action; and appropriate Parliamentary scrutiny.

2. Secure Green Finance Leadership

The UK has the chance to become a world leader in green finance, a double opportunity for the country to both attract economic activity here and to play an ever more important role in mitigating climate change.

'Greening Finance', the Government's 2021 roadmap 'greening' the financial system, identified the importance of ensuring that financial flows across the economy shift to align with the UK's net zero commitment and wider environmental goals. While we anticipate that the updated Green Finance Strategy will have more detail on the Government's plans here, we hope that the Chancellor will use his Budget Statement to set out a whole-of-Government plan to improve the capacity and capability of all departments to mobilise private finance.

We support the proposal made by the thinktank E3G and others for a 'UK Net Zero Investment Plan' to kick start the private finance needed to deliver green growth in the UK economy. This must involve an active dialogue between private finance and all departments to ensure investment supports orderly transition and sustains economic growth. The Government should consider the creation of a mechanism which allows Government departments to assess where policy gaps exist.

An important element of an orderly transition which enables growth will be assessing how companies plan to align their business with the transition in the wider economy. Investment managers will best be able to support the orderly transition to net zero through engagement on a company-by-company basis. The Net Zero Investment Plan would require Government departments to collectively assess total investment needed, track public and private financial flows across the economy towards the net zero objective, and provide a comprehensive and strategic financing plan to close the gaps between required and actual financial flows.

As a member of the Delivery Group of the Transition Plan Taskforce, the IA is pleased to be able to support work to develop a leading standard for companies in the UK and globally to report on their transition plans. It is important that transition plans are not solely focused on the overarching Government objective of decarbonising the UK economy but should be focused on requiring companies to set out the organisational transformation they will undergo to decarbonise their business models and remain profitable as the wider economy decarbonises.

In seeking to ensure a robust investment information ecosystem, the UK must also ensure that it remains aligned with overseas markets. The UK should continue to support efforts to ensure global coherence of standards through initiatives like the International Sustainability Standards Board (ISSB) which can provide a baseline global sustainability reporting standard.

Since Cop26, the FCA has been undertaking work on the development of Sustainability Disclosure Requirements and investment labels for investment managers and their funds. We have supported this work in the expectation that it will help to provide clear standards for industry, offer transparency to clients, and maintain trust between the two as we navigate the difficult task of the transition to net zero. The Chancellor has recommended that the FCA should have regard to the Government's commitment to achieve a net zero economy by 2050, under the Climate Change Act, when considering how to advance its objectives and discharge its functions. However, without modification, we are concerned that the FCA's current approach will not result in an approach that serves consumers effectively or facilitate the wider process of stewardship and capital allocation needed for the transition to net zero. This, in turn, may have an adverse impact on broader UK competitiveness.

The UK has taken on a significant leadership role in the last two years with the presidency of Cop26. In doing so, the UK's Cop26 President noticeably engaged in intensive climate diplomacy with emerging and developing economies. It would be a wasted opportunity if any goodwill built up during the UK's Cop26 presidency was allowed to wain now this role has come to an end. There is merit to the proposal in Mission Zero for a strategic review of the UK's international climate leadership.

3. Support tech innovation

The UK should be at the forefront of technological change to provide a world leading service to consumers, cut costs, and reduce regulatory risk. As we move into the era of blockchain and distributed ledger technology, an IA report looks at a future more efficient investment fund and what needs to be done by regulators, government and industry to make it possible.

This should include:

- Quickly establishing a regulatory framework for tokenised funds to operate in the UK.
- Establish a Decentralised Finance (DeFi) Taskforce to help the UK fund industry from the opportunities available in this exciting space.
- Consider routes for allowing cryptoassets to be held in funds such as UCITS, for investors who are sufficiently experienced and diversified.
- Establish a system for monitoring areas which are currently unregulated for developments that may threaten financial stability or cause consumer harm.
- Ensure that investment firms are not exposed to the costs of failing stablecoin firms or other crypto firms as the regulatory perimeter is expanded.
- Work with industry to consider how to use new digital tools to make investor information (for instance KIID documents) more accessible to consumers.

4. Make the UK a natural home for fund domicile

We fully share the government's ambition to boost the UK's attractiveness as a place for fund domicile.

Getting this right will allow a wider range of more efficient investments better suited to investors' needs, and make a major contribution to the government's Levelling Up ambitions as funds are a source of investment management jobs outside the UK's traditional financial centres.

We appreciate and support the efforts being made to improve the UK's position as a fund domicile through the introduction of LTAFs in particular, but we there needs to be a clear overall package and cultural shift that signals commitment to significantly improving the UK's position as a fund domicile. This should involve active promotion of the UK as a home for funds, as well as continued development of specialisms explored elsewhere in this document including green finance and tech leadership. Tax regimes are also a major factor in decisions on fund domicile, and we have an opportunity to reshape certain aspects of this post Brexit to make the UK the obvious home for activity. This aspect is covered in part three of this document.

One point which requires immediate attention is sever r**egulatory bottlenecks for FCA authorisations.**

Despite a target to authorise UK-domiciled funds in a month, the FCA regularly takes twice this time. The approach that regulators take to this is inconsistent, with the type and detail of information asked for differing between staff members, making forward planning impossible. This unpredictable and costly approach can be a disincentive for innovating in the UK.

Many competitor jurisdictions have far more effective regimes. In Ireland, for instance, authorisation of funds for professional investors can take as little as 24 hours with a lawyer's approval.

The IA is working with the FCA to build a more efficient and consistent process. We would strongly welcome the Treasury's support for this initiative.

Similar bottlenecks are experienced in seeking to regulate new firms or gaining regulatory approvals for business leaders. A system of regulatory deference should be applied by the FCA so, for instance, in the case of a CEO transferring from a similarly regulated jurisdiction that individual can take up their duties immediately rather than having to wait up to six months to receive approval.

5. Ensure fair and stable funding for the FSCS

The FSCS Levy was founded on the sensible principle that firms which pose the biggest risk to consumers should be liable to pay when things go wrong. However this has since been abandoned, with the most secure industries picking up the bill for under-capitalised or poorly-managed ones.

This is most clear for investment management firms. Investment managers now pay nearly 20% of the total levy (£115m of £625m), despite the fact that there has never been a single instance of an investment manager or fund failure leading to a call on the FSCS.

This acts as a major drag on UK competitiveness in investment management, as well-run international firms see the FSCS levy as an un-justified cost of doing business in the UK.
The funding arrangements do not take into account investment managers' stable, well capitalised and tightly regulated nature: as funds are required by law to be held by an independent depositary, meaning that unlike banks the money would not be touched in the event that an investment manager had financial difficulties.

A fundamental review of the FSCS funding structure is now needed as the model has become unsustainable. This would act as a major reassurance to international firms that the government is focused on removing unnecessary costs, and making the UK a welcoming place for world-leading businesses.

Priority Two: Strengthen the economy

Investment management supports the economy across the country by funding businesses and infrastructure projects and by supporting families to boost their financial resilience. This section sets out opportunities to channel more capital into areas which need it; to widen the net of those who can take part in our shareholder democracy; and to bring more talented people into our industry.

6. Widen access to Long Term Assets

Further funding for long-term assets across the country is acutely needed: L&G has calculated there to be a £1trn UK infrastructure funding gap between now and 2030. In particular there is significant potential for capital to be used by programmes, usually outside of London, which will support the UK's transition to Net Zero.

The Long Term Asset Fund (LTAF) has great potential to allow sophisticated investors to channel capital directly into infrastructure assets, however access to this is currently restricted to professional investors. This means that retail investors miss out even when the LTAF would be appropriate for their needs.

We are pleased that the FCA has recently concluded a consultation on proposals to permit the distribution of the LTAF to retail investors and would welcome the government publicly supporting this move as the FCA finalises its rules.

This should be taken further by allowing LTAFs to be held within an ISA, which we believe to be the most effective boost for this new channel of capital. Although a decision for HMRC, we would be extremely grateful for your support towards this change.

7. Help people to plan for later life with a review of financial advice and guidance

Millions of UK citizens would benefit from greater access to the long-term returns that investing brings, helping them achieve lifetime goals while at the same time channelling their savings into the businesses and infrastructure programmes which support our economy. We are immensely pleased that both Treasury and our regulators are focused on swift action in this area.

One of the central challenges in achieving this, whether attracting new investors or helping existing customers to invest better, is the ability to provide appropriate support at the times in life when people most need it.

Today less than 10% of people receive regulated financial advice. When combined with the restricted support that financial services firms are currently allowed to provide, this results in the vast majority of the population being under served and missing out on opportunities to improve their personal finances.

We are extremely pleased that the FCA has recognised the importance of this with a review announced in September on the boundaries between Financial Advice and Guidance. We would like to see the review cover the issue as comprehensively as possible and include HM Treasury, industry and consumer groups to ensure that the outcomes benefit consumers.

It is vital that we get this right as soon as possible, so that as many people as possible can be helped as we face an uncertain economic future. This should be done through allowing for:

- **Simplified advice services for those with less complex needs**, while full financial advice remains the bedrock of long-term planning
- **Wider financial guidance** to help those already within the investment system including enabling providers to send personalised communications to customers

The first step towards this is the publication of a clear timetable for consultation on the necessary legislative changes. For its part, the investment management industry is committed to supporting a new regime that works to ensure good outcomes for customers, and achieves high levels of customer protection, within a broader framework that empowers appropriate decision-making.

Changes to the Advice and Guidance regime should form part of wider considerations about how to incentivise long-term savings and investments, benefitting both individual households and the wider economy. The ISA model has been a great success, and approaching their 25th anniversary is an appropriate point to ensure that they are accessible, effective and well regarded amongst all those who may benefit. This should include consideration of how ISAs are used in practice (for instance, to support financial wellness in retirement), and how they might be used as a channel for financing the transition to Net Zero.

8. Re-energise public markets

Investment managers have an ambition to re-energise public markets, bring long term capital to private markets, and create an ecosystem which delivers for savers and is attractive to both companies and global investors. We seek to widen both businesses' access to long-term pools of capital, and see robust governance that will help deliver long-term returns.

Our members help asset owners (such as pension schemes) meet their objectives by channelling investment into productive sectors of the economy, creating employment and economic growth across the UK.

Making it easier for smaller or start-up companies to access this funding would both benefit this dynamic part of our economy, and be welcomed by investors who are looking for the high-growth companies of the future.

The IA has supported the Hill and Austin Reviews and the implementation of these recommendations through the FCA. However, while the Listing Rules and market structure regime are one part of the puzzle, Government should also consider the wider listings ecosystem and how this can shape the decision of companies who are considering floating here. These views may include the complexity of the listing requirements, the advice they receive from their bankers and lawyers and valuations at the time of IPO in the UK market.

Investment managers take their stewardship responsibilities seriously, as they help to deliver long term returns to their clients. To help discharge their role, they continue to need the right information from investee companies, which is why we supported the creation of the International Sustainability Standards Board (ISSB) and their standards for global harmonisation of sustainability reporting standards. We welcome the government's support for the ISSB and mandating Transition Plans, which will help investors to make more informed investment and stewardship decisions, we encourage these requirements to be introduced into the UK as soon as practicable.

9. Boost skills with apprenticeship levy reform

Skills development is critically important to the investment management sector. As a globally competitive and fast changing industry, we need a workforce that is able to keep pace with the world class data, cyber and digital skills which will be paramount to the industry's future success and keeping the UK as a global centre for investment management in growth areas such as green finance.

Through our industry recruitment scheme, Investment 20/20, the IA has placed over 2,200 young people in industry roles, with a particular emphasis on recruiting those who are traditionally under-represented in financial services due to their social background, ethnicity, sexual orientation or gender. We are keen to go further.

The industry needs flexible training options which reflect the speed of change in the sector. Apprenticeship standards are high quality and are used by some investment management firms. However, their rigidity in relation to the duration, availability of training providers (outside of major cities) and cost means they are not the solution for all skill development needs across all employers.

The investment management sector is a significant contributor to the apprenticeship levy, but firms are not able to use this to the extent that they wish. This is especially true for smaller firms. The levy contribution could be used to provide more agile and effective skills development and talent solutions for the investment management workforce by:

- Increasing access to the levy to fund skills development outside of an apprenticeship standard, that meets the changing needs of the sector. For example, ESG and sustainable investments are of growing importance to the industry, and skills development across the workforce in these subject areas is critical. Apprenticeships do not currently provide the agility or speed at which skills development in these areas needs to be deployed.

- Enabling access to the levy to support talent strategies that focus on improving social mobility. Being able to offer industry led job and training opportunities, outside of formal apprenticeship standards, to young people from broader talent pools enables the industry to build career pathways that address talent shortages and help to reduce inequality.

10. Unleash Trade

Investment management is a key part of British trade policy, economic diplomacy, and international regulatory cooperation agreements. With nearly half of the UK's assets under management being held on behalf of international savers and investors, there is a fundamental interest in maintaining and advancing the UK's place as a global centre for investment management.

This is being done, for example, by the promotion of the UK as an asset management hub through the three-year **Global Investment Futures campaign** - in partnership with the Department for International Trade and the City of London Corporation - and the **Global Investment Management Summit** set for the end of March which will relay the message that the UK is open for business. The summit requires the highest possible level of UK government participation to make this credible to global investors.

A successful financial services trade and investment strategy for the UK is based on the promotion of global regulatory coherence both to ensure that the industry can play its role as the turntable of global capital and also as a means to secure and sustain market access in financial services. Investment management already accounts for 4% of the UK's net exports and we have

targeted certain markets for special focus due to the growth potential, with which the UK is or will shortly be negotiating new trade agreements.

Recognising the lengthy process of some trade deals, the industry's needs could be met by agreeing a simple regulatory or fund recognition arrangements which allows regulators to mutually endorse the other's regime.

We support the UK's ambition to join the CPTPP and were pleased with the outcome of the comprehensive Japanese and Australian treaties which included commitments to financial regulatory dialogues.

The current negotiations with Switzerland on a mutual recognition agreement of financial services seems to be less comprehensive than industry in both countries called for. We urge negotiators to press further to reach a more wide-ranging outcome.

Priority Three: A Tax Regime To Support the Economy

The Government's ambition for the sector needs to be matched with an aspiration to build a tax regime that can see our industry thrive. Above all else the UK should ensure that all tax policy works in tandem with wider Government and regulatory objectives. Our recommendations focus on two key guiding areas for framing future policy:

11. **Develop a clear, stable and proportionate tax regime**

To ensure that that our industry remains competitive and to protect the UK's position as a leading investment management hub from a taxation perspective, the importance of a stable and predictable tax regime cannot be overstated. We highlight the following aspects that need attention in this regard:

a. **A roadmap for UK Corporation Tax –** When first announcing the rise in Corporation Tax (CT) rate from 19% to 25%, the government committed to cutting the overall tax burden end the end of the parliamentary term, we urge for this pledge to be reaffirmed.

   At 25%, the UK now has a headline CT rate above both the OECD Average of 22.9% and the EU average of 21.8% and bucks a trend of falling CT rates globally over the last 20 years. Moreover, the CT rate itself should not be looked at in isolation. Factoring in other taxes, in particular irrecoverable VAT, results in an effective tax rate for asset managers that will likely exceed 30% on UK profits from 1 April 2023. This high rate will further harm the UK's competitiveness as a location of choice for managers and capital.

   We understand the need for fiscal discipline and constraint as public funds have, in recent times, been under unprecedented strain through external crises. A long-term view however needs to be taken on the importance of rebuilding the economy to help promote business growth which will, in time, lift tax revenues. **We urge the government to set out a detailed roadmap to provide clarity and certainty to businesses on the government's UK tax strategy.**

   In addition to tax rates, the roadmap should also focus on incentives for investments and innovation as well as the role of tax in the Government's Net Zero and Levelling Up agendas.

b. **UK minimum tax rules** – The UK has been at the forefront of designing, developing and delivering the global minimum tax rules ('Pillar Two'). We commend the proactive approach of HMT and HMRC in both shaping the legislation and guidance and developing an approach to pragmatic implementation which has been immensely helpful and a shining example of consultative policy making.

The adoption of OECD's safe harbour rules to UK's domestic minimum tax regime – Overall, to minimise the compliance burden on multinational businesses, common implementation and global coordination of rules is essential, with explicit alignment between all aspects of the Pillar Two rules including the Qualified Domestic Minimum Top-Up Tax ('QDMTT') regimes. The OECD published the Transitional Country-by Country Safe Harbour rules at the end of December 2022 to provide businesses immediate relief from tax compliance in low-risk jurisdictions in the initial years. While work continues at the OECD level to discuss similar Safe Harbour provisions for the QDMTT, with the UK having announced its intention to introduce the Pillar Two rules from January 2024, **it is essential for the UK to confirm and legislate that Safe Harbours apply to all aspects of its Pillar Two implementation including the UK Domestic Minimum Tax rules to provide clarity and certainty to businesses.**

c. Proportionality in every element of the tax administration

Myriad tax changes have been announced in recent years. The introduction of complex and at times rushed legislative changes has increased the uncertainty and the burden of compliance for businesses. Such measures make operating in the UK materially more expensive, complex and uncertain than other large financial services centres. In addition to early consultation on all aspects of any new initiative, sufficient time needs to be given for any new legislation to be embedded along with a commitment to revisit it regularly as issues are identified through implementation of the rules in practice.

- **Proportionate implementation of UK Transfer Pricing documentation requirement keeping in line with international norms –** Over the past eighteen months, HMRC has been consulting on introducing the UK transfer pricing documentation requirements with an intention to provide clarity to UK businesses on UK's requirements. However in doing so, instead of looking to adopt OECD's internationally agreed norms, during various stages of the consultation process, various onerous requirements have been proposed without due consideration of the usage of such information or the impact of on businesses. In the latest publication of draft legislation on this matter, we have been pleased to see HMRC legislate for the international norms and postpone its plans regarding introducing additional requirements. We urge that proper consultation process is followed before any further work is done on introducing any additional requirements and that any future proposals adequately consider their purpose and proportionality.

- **Notification of Uncertain Tax Treatments –** With the UK adopting a post legislation compliance obligation on businesses to report areas of the tax code where HMRC's interpretation of the tax treatment may differ from their own, the Government has effectively sought to outsource a quality control and risk function of their own tax administration to private enterprise. The UK must better assess the value reporting under regimes like this offers compared to the cost and uncertainty to brings to businesses subject to it.

d. Improvement to the approach to compliance

In recent times, HMRC has undertaken a series of initiatives targeting the Tax Gap and the perceived shortfall in revenue collection. Many of these measures to combat the gap will have to be paid for by businesses which already comply with their obligations in full and in no way contribute to this shortfall. This detachment from the 'polluter pays' principle needs to be addressed at the same time as HMRC needs to be empowered to differentiate good actors from bad and better utilise existing tools like the BRR+ process through their CCM Teams. This should be combined with additional resources to ensure HMRC have the necessary expertise and resources to administer its tax policy in a consistent and constructive manner. Our specific asks in this area include:

- Each policy initiative aimed at addressing behaviours identified in the Measuring the Tax Gap report, should set out how costs of failures are borne only by those responsible for this failure and the cost is minimised or removed for general business.
- With the disbandment of the Office of Tax Simplification with the expectation that the objective of Simplification should be part of HMT/HMRC's overall objectives, it must be clarified and set out clearly how simplification will be incorporated into HMT objectives and HMRC's mandate.
- Ensure that all digitisation efforts will yield meaningful benefits for taxpayers as well as HMRC's approach to compliance.
- To look at ways to further encourage businesses to adopt a low-risk approach to BRR+ reducing drag on HMRC's compliance and administrative resources.
- Ensure that existing legislation and tax policies are applied on a consistent basis.
- Cooperative compliance: The CCM model is one of the key positive factors in large business' engagement with HMRC providing timely certainty on tax matters to businesses and transparency to HMRC. We strongly urge that the CCM regime is properly funded and resourced to strengthen and expand it beyond Large Businesses widening the benefits of such engagement to compliant businesses.

12. Enhancement of the UK tax regime to make it competitive and attractive

The momentum to reshape the tax regime for UK funds needs to be reenergised through publication of clear objectives and roadmap by HMT, building on all the great work done to date.

a. Internationally Consistent VAT Regime

No amount of regulatory reform or relief will compensate for the competitive disadvantage of the current VAT regime which delivers an above the line cost for managers who opt to setup funds in the UK.

We were pleased to see the long promised technical consultation on VAT in Fund Management as part of the Edinburgh Reform measures but are disappointed that in coinciding with the objective to create a clean break from legacy European legislation, the consultation is narrowly focussed on a single technical aspect of the UK legislation, before Treasury has had an opportunity to consult with the industry to set out the role VAT should play in promoting the investment management in the UK following its departure from the EU.

The UK's continued reliance on a European approach to VAT plays a dual role in creating a barrier to domiciling new funds domestically and presents a real risk of future revenue losses by incentivising managers to migrate operations abroad. This drive to offshore will only become more pronounced as the industry evolves away from older and less effective investment

products leaving the UK unable to compete with locations which have better adapted their VAT regimes to cope with this inevitable innovation.

We strongly urge the Government to launch a more comprehensive consultation on VAT in Fund Management to first set out policy goals, with work to develop the technical aspects to follow after - making good on the commitment made as part of the original UK Fund Regime review back in 2020 to make the UK a global home for fund domicile.

b. A UK funds tax regime which supports policy priorities

While 2022 saw the launch of the Qualified Asset Holding Company regime which, even at this early stage, has already demonstrated all the hallmarks of success this has been the only tangible output from a review which is fast approaching its three-year anniversary. As part of last year's Summary of Responses there remains many separate strands of the UK Fund Regime project outstanding. These should include:

- A Timeline for Future Consultations: including
    - The remaining strands of the GDO rewrite.
    - A simplified tax regime for UK funds removing any tax leakage.
    - A review of the 60% test and how the cliff-edge approach can be softened to allow for greater flexibility in investment strategies.
- Tax Treaty Access Issues
    - Make good on a desire to promote understanding of UK fund structures with partner countries and assisting funds to make claims for treaty relief, including updating existing procedures where it appears that they may no longer be working as well as they could.
    - Progress the planned improvements to systems and processes related to the issuing of Certificates of Residence, including further digitalisation, following stakeholder engagement.
    - Understanding that UK funds continue to suffer due to the loss of the PSD/IRD as well as higher tax burdens from the loss of UCITS passporting.
- Changes to the UK Non-Domicile Tax Regime
    - To look at the mechanics of the regime which drives investors to UK resident non-domiciled investors to invest non-UK funds, including reviewing whether it is appropriate to remove funds from the emittance basis rules.

January 2023