

UK CLIENT MEMORANDUM | ENGLISH LAW UPDATES

UK Government Announces New Legislation – Solvency II Compliant Insurance Hybrid Debt – UK Tax Treatment

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AUTHOR

Judith Harger

On March 19, 2014, the United Kingdom Chancellor of the Exchequer announced that legislation will be introduced in the Finance Bill 2014 to ensure regulations can be made to set out the tax treatment of Solvency II compliant capital instruments in advance of the agreement to Solvency II.

Subject to the outcome of the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting project, the United Kingdom government intends to make regulations to ensure that insurers' Solvency II instruments which are issued in the form of debt are taxed as debt instruments.

As discussed in our article in the *2013 Year in Review – Recent Developments and Current Trends in Insurance Transactions and Regulation*, the tax treatment of these instruments, including in particular the tax deductibility of the interest payments, under current United Kingdom tax law, is uncertain.

If you have any questions regarding this memorandum, please contact Judith Harger (+44 20 3580 4705, jharger@willkie.com) or the Willkie attorney with whom you regularly work.

Willkie Farr & Gallagher LLP is an international law firm with offices in New York, Washington, Paris, London, Milan, Rome, Frankfurt and Brussels. The firm is headquartered at 787 Seventh Avenue, New York, NY 10019-6099. Our telephone number is (212) 728-8000 and our fax number is (212) 728-8111. Our website is located at www.willkie.com.

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