

EU challenges UK's territorial taxation in new Anti-Tax...

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A draft of the proposed new EU anti-tax avoidance directive [has been leaked on the FT website](#). There is much to commend in it including coordination on GAARs, interest deductibility and controlled foreign companies.

Innovative are proposals for exit taxation - to make tax inversion harder, and I welcome them.

But perhaps most especially this:

This is a direct attack on the idea of territorial taxation - which the UK has adopted since 2010. The draft directive clearly recognises that if a country - like the UK - says it will not tax income arising outside the country there is a massive incentive for companies to do whatever they can to record their income elsewhere - in a tax haven, for example - and then bring it back into the UK tax free.

The encouragement of taxation of funds arriving in the EU from places outside it is enormously important in this context and also is intended to stop the abusive of certain states used as entry points - Malta, for example.

If this is the direction of travel, I welcome it.