UK launches consultation to upgrade Sovereign Investor tax-treatment

- UK government launches consultation to modernise and improve its tax-treatment of foreign sovereign investors
- consultation proposes reforms from April 2024 that would clarify the rules and ensure they deliver better value for money for UK taxpayers
- the government does not expect the proposals to have a material impact on foreign investment into the UK

The consultation, which runs from 4 July to 12 September, will look to provide more clarity to investors by putting the UK sovereign investment tax regime into statute law.

To ensure the UK's regime delivers the best value for money for UK taxpayers, the consultation also looks to improve the targeting of exemptions that are available to sovereign investors, bringing the UK into line with other major economies such as US and Germany.

The government does not expect the proposals to have a material impact on foreign investment into the UK.

Financial Secretary to the Treasury Lucy Frazer MP said:

"As the world continues to evolve, we are committed to ensuring the UK keeps pace and remains a competitive, attractive place for foreign investors.

"Our reforms will provide more clarity on the tax exemptions on offer to sovereign investors, while also ensuring they deliver better value for money for UK taxpayers."

Investors want a safe environment for their long-term investments. The UK provides this – it maintains a strong rule of law, safe regulation and stable market conditions to bring in investment and ensure competitiveness on the global stage.

As with many other countries, such as the US, France, and Australia, the UK provides exemptions from some taxes, such as corporation tax and income tax, to sovereign investors, reflecting their unique status as government-backed institutional investors.

These exemptions, however, are not codified into UK law, but are based on case law and common practice. The UK government is therefore looking to codify its regime into statute law to make the UK system more predictable and certain for foreign sovereign investors.

Reforms will look at what types of income are exempt of tax to ensure they are more targeted towards income that relates to investment rather than trading activities, and income that is more passive in nature. It will also ensure the UK's tax exemptions remain as competitive as those of comparable countries.

The proposed changes demonstrate the government's wider ambitions for a tax system that is fair, modern, certain, and supportive of the UK's objective to be a world-leading investment destination for the future.

This includes the Chancellor's commitment to reform and cut taxes on investment in the autumn, which the government is currently working with industry on how best to do.

The government does not expect the proposals in the consultation, which would apply from April 2024, to negatively impact overall investment. This is because they are narrow changes that are not expected to undermine overall investment into the UK.

Further information

Currently, foreign sovereign persons – including heads of state, monarchs, and sovereign wealth funds (SWFs) – are exempt from direct taxation on all their UK income. The consultation published today sets out the government proposal to legislate and narrow this exemption.

Read the consultation

Safe standing at football stadiums to be rolled out next season

- Brentford, QPR and Wolves latest clubs to confirm they will have safe standing at games
- Follows Cardiff City, Chelsea, Manchester City, Manchester United and Tottenham Hotspur acting as 'early adopters' in trial last season
- Wembley Stadium set to offer a small licensed standing area for fans at domestic matches as the government delivers manifesto commitment

The Government has confirmed that Premier League and Championship clubs wishing to introduce licensed 'safe standing' areas at football stadiums will be allowed to do so from the start of the forthcoming 2022/23 season.

Brentford, Queens Park Rangers and Wolverhampton Wanderers will be the first clubs to join 'early adopters' Cardiff City, Chelsea, Manchester City, Manchester United and Tottenham Hotspur in offering licensed standing in designated seated areas for home and away fans.

Other clubs are expected to adopt licensed standing areas during the course of the football season.

The iconic Wembley Stadium will also offer a small licensed standing area for fans at forthcoming domestic matches later this season.

Culture Secretary, Nadine Dorries said:

> We want to make the experience of watching football as magical as the play on the pitch.
>
> Fans will now be able to cheer on their team from a seat or join others in a safe standing section to really get behind the players and roar on their heroes to victory.
>
> We are not reintroducing terraces and only clubs which meet strict safety criteria will be permitted. Thanks to a robust trial, thorough evidence and modern engineering, we are now ready to allow standing once again in our grounds.

Sports Minister, Nigel Huddleston said:

> Based upon what I have experienced and we have learnt through the pilot programme, safe standing is set to deliver an electric atmosphere at our football stadiums.
>
> Fans have long campaigned for its introduction and we have worked carefully with supporters groups, including the families affected by the tragic Hillsborough football disaster.
>
> I am proud of the work that has gone into this rigorous process and that we have delivered on our manifesto commitment to get fans back on their feet in stadiums.

The stadiums have been selected following an application process, open to all grounds covered by the all-seater policy, led by the Sports Grounds Safety Authority (SGSA). Strict conditions have been met, including enhanced use of CCTV, improved steward training and fans being strictly limited to ‘one person, one space’. Clubs have also engaged with fans as part of their application process.

A final report on last season’s Government-commissioned trial at the early adopter clubs has concluded that the installation of barriers or rails in areas of persistent standing in seated areas has delivered a positive impact on spectator safety and improved fans’ match day experience in both home and away sections. The report recommends that clubs should be given the opportunity to implement licensed standing areas as soon as possible.

An interim report into the trial, published by the Sports Grounds Safety Authority (SGSA) in April, found that:

- Goal celebrations being more orderly with no opportunity for forwards and backwards movement of fans, reducing the risk of fans falling on

those around them;
- Barriers offering stability for people moving up and down aisles and gangways;
- Latecomers being able to access their seats in the middle of rows more quickly, as others are already standing and have barriers to lean against to allow them to pass;
- Pockets of overcrowding being easier to identify to security officials, as fans are lined up more clearly

The final report concludes:

- The exit of fans from the stadia is more uniform because the barriers limit spectators' ability to climb over seats to exit more quickly;
- Spectators are lined up more clearly and therefore any risk of overcrowding can be identified, particularly using CCTV;
- Stewards can be put in more locations without risking impacting sight lines;
- There is no evidence to date that the introduction of licensed standing areas has led to an increase in standing elsewhere in stadia

The announcement was made by Sports Minister Nigel Huddleston at Tottenham Hotspur's White Hart Lane stadium, after he joined fans in the club's 10,000-strong safe standing area to watch the North London club win 1-0 against Burnley on 15 May.

Sports Grounds Safety Authority Chief Executive, Martyn Henderson OBE said:

> We welcome the controlled return of standing for the modern era, which has been made possible by a very close collaboration with the Government.
>
> This is an historic moment for football – and, most importantly, for the fans who have campaigned for this change and will be safer as a result of today's decision.

Chief Executive of the Football Supporters' Association, Kevin Miles said:

> Match-going supporters know the benefits of safe standing are enormous, with better atmospheres and more choice for fans, whether they prefer to sit or stand.
>
> The FSA has always made the case that football clubs should be able to talk to their fanbase and work together to find the ideal mix of seating and standing at every club. That's now possible and it's no surprise at all that more clubs are already looking to join last season's early adopters and install their own safe standing areas.

Senior Research Manager for CFE Research, Jo Welford said:

> Over the last three years we have been able to gather evidence from a range of grounds, and have seen that the installation of barriers, alongside being able to run these areas as licensed standing sections, has a positive impact on the safety of fans who stand so it seems a logical conclusion to this work to see a policy change that allows this across football.

> Barriers along every row are effective at preventing fans falling forward, and so the primary benefit is a reduced risk of injury during goal celebrations. But there are other benefits too – fans in those areas have something to hold onto for stability, and it is harder for people to move around in sections. We surveyed fans in those areas and the vast majority reported feeling safe, they feel well protected by the barriers and being able to stand and watch football without being asked to sit down has improved the match day experience too.

Cardiff City, Chelsea, Manchester City, Manchester United and Tottenham Hotspur took part in the early adopter programme during the second half of the 2021/2022 season. A 2-2 draw on 2 January between Chelsea and Liverpool at Stamford Bridge kicked off the test events.

Under licensed standing, fans are allowed to stand for matches in allocated spaces behind a barrier or a rail in areas of persistent standing. Each supporter has to occupy the same area they would take if they were sitting, with a traceable, numbered ticket.

Seats cannot be locked in the up or down position, so fans can can sit if they wish to, and the standing areas cannot affect the views of other fans. Other parts of the grounds remain all-seated and fans are expected to sit in these areas.

Standing areas are already commonplace in Germany's Bundesliga and there are similar examples across the rest of Europe, the United States and Australia.

The necessary legislative amendments to the Football Spectators Act have been tabled in Parliament today (4 July).

ENDS

Notes to editors:

- The evaluation of the early adopters programme has been conducted independently by CFE Research. The final evaluation report, will be published on the SGSA website on 4 July. The SGSA are working to ensure the small number of modest risks within the report by CFE Research are addressed when issuing licences.

- Since the last general election, the Sports Grounds Safety Authority (SGSA) has commissioned independent research on the safe management of standing at football. The findings, published in June 2021, indicated that installing seats with barriers in front of them would have a positive impact on crowd safety, in light of persistent standing in seated areas of football stadia.

- The early adopter criteria and support guidance set out the standards which need to be met, including the standards for the seats incorporating barriers/independent barriers. This information is available via the SGSA website: www.sgsa.org.uk/licensedstanding.

- The five clubs in the trial were the first in the top two tiers of football to have licensed safe standing in designated seated areas for home and away fans. They were selected following an application process, open to all grounds covered by the all-seater policy, led by the Sports Grounds Safety Authority (SGSA).

- The rollout of licensed safe standing is the latest move by the Government to support football fans across the country. It commissioned a fan-led review of football governance in, chaired by Tracey Crouch MP. In April 2022 the Government announced plans to radically reform the governance of men’s football in England, and ensure a sustainable future for the national game. A White Paper is expected to be published later this summer.

New deal with Nigeria to deter illegal migration

The deal will see the UK and Nigeria do more together to support legal migration, tackle illegal migration and speed up the removal of foreign criminals. The commitment is already delivering: 13 Nigerian foreign nationals with no right to be in the UK were removed on a chartered flight on 30 June.

After the flight departed Nigeria, it flew to Ghana where eight Ghanaian foreign nationals with no right to be in the UK were returned.

The Memorandum of Understanding (MoU) signed with Nigeria will also promote our shared bilateral economic interests. The deal delivers on the British people's priority of controlling our borders and ensuring the immigration system is fair but firm.

Home Secretary Priti Patel said:

> It is an important development that the UK and Nigeria have signed an agreement to co-operate on migration issues, to tackle illegal migration and the significant threat it poses to both nations.
>
> The deal will mean that operational teams in both countries will share their expertise to take the fight to criminal people smugglers who are responsible for a wider range of criminality and put profit before people while undermining the security of our two countries. This landmark agreement will increase the deportation of dangerous foreign criminals to make our streets and country safer.
>
> This is our New Plan for Immigration being put into action.

The Home Secretary and Nigeria's High Commissioner to the UK, Sarafa Tunji Isola, are meeting today to discuss the two countries' shared interests and growing collaboration.

Last year the Home Secretary travelled to Ghana for a two-day visit to deepen the UK-Ghana's security partnership. Whilst there, Priti Patel unveiled the Home Office-funded Ghana Immigration Taskforce Office which works to tackle organised immigration crime. Today's flight to Ghana shows the partnership in action; delivering for the British public.

The UK-Nigerian MoU will:

- promote the economic activities of citizens in both countries
- develop better working relationships and expertise on tackling illegal migration
- speed up the removal of FNOs from the UK to Nigeria and vice versa. (Through the agreement, emergency travel certificates or temporary passports will be issued to individuals being returned within five working days of receipt of their passport or biometric details)
- see the countries work together to support those who choose to come to each country legally and safely

Last week's returns flight removed:

- 8 foreign national offenders to Nigeria
- 5 immigration offenders to Nigeria
- 3 foreign national offenders to Ghana
- 5 immigration offenders to Ghana

The foreign national offenders have combined prison sentences of more than 64 years.

The MoU follows a joint communique signed in February between the UK and

Nigeria which strengthened their security and defence partnership and returns deals signed with Serbia and Albania. Last year the UK and India signed a ground breaking partnership migration deal which accelerates the removal of illegal migrants.

The recently enacted Nationality and Borders Act will also deter illegal entry into the UK, breaking the business model of people smuggling networks, and speed up the removal of those with no right to be in the UK.

Finance, resilience, net zero and nature

The United Nations' latest Interconnected Disaster Risks Report analysed 10 disasters that took place in 2020/2021.

These included the amazon wildfires, the arctic heatwave, the winter storms in Texas and Cyclone Amphan among others.

Disasters were selected for their representation of larger global issues, which have changed or will change our lives across the world.

It said:

"The three most commonly identified root causes shared between these 10 events are human-induced greenhouse gas emissions, insufficient disaster risk management and under-valuing environmental costs and benefits in decision-making."

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In England we know that this century, we are likely to see 40-degree heat during the summer, but developers don't have to mitigate against that – not now nor at any point in the future.

The Institution of Civil Engineers' survey "What makes good design?" said the most limiting factors to progress on reducing greenhouse gas emissions and climate adaptation are that "it's not part of the project brief."

Which might save on immediate costs, but while the short-term rewards are narrowly distributed, the long-term damage is societal.

In May, the Bank of England published its first climate stress tests.

They showed that UK banks and insurers will end up taking on nearly £340 billion worth of climate-related losses by 2050, unless action is taken to curb rising temperatures and sea levels.

Such action will require collaboration between the public and private sectors.

But, around the world, just 5 percent of climate finance goes towards resilience.

Virtually none of that comes from the private sector.

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The UK’s 2021 National Infrastructure and Construction pipeline sets out plans for nearly £650 billion of public and private infrastructure investment by 2030.

The Infrastructure and Projects Authority has analysed over £200 billion of this, up to 2024/25.

For the equivalent period, England has about £3 billion of public money allocated to flood and coastal defences.

By comparison, this looks like a thin green line of defence.

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Last year, the Environment Agency completed the government’s £2.6 billion, six-year capital flood programme, on time and on budget.

It means 700 flood schemes are better protecting more than 300,000 homes, nearly 600,000 acres of agricultural land, thousands of businesses and major pieces of infrastructure.

The Government has upped the budget of the new programme to a record £5.2 billion.

We know this investment works.

In February, the UK’s Meteorological Office named three major storms in one week for the first time.

Sadly, 400 homes flooded, but 50,000 properties were better protected.

The Environment Agency delivers infrastructure that provides resilience to climate change.

But to avoid financial climate chaos, we need all infrastructure to be more resilient.

Businesses and public sector organisations should be encouraged to assess their climate risks and develop plans in response.

If a local council is approving investment in new housing – or roads, or a shopping centre – they must demand that climate resilience runs through the veins of the project.

In its Progress Report to Parliament last week, the Climate Change Committee recommended Defra "Expand the list of organisations reporting under the Adaptation Reporting Power to ensure comprehensive coverage of critical infrastructure and services, such as canals and food supply chains."

Regulation is part of the answer.

Environmental regulation must work in lockstep with financial regulation and economic regulation to ensure incentives and penalties have enough clout to drive change.

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Today, green finance can help us go further to support regulated businesses to improve.

Investor interest in Environmental, Social and Governance practices, or ESG, widens the scrutiny of companies' environmental performance.

And it provides a growing financial incentive for innovation.

But, as the market for environmental benefits crosses an inflection point, it is exploitable.

In February, I spoke at the National Farmers' Union about how farmers are particularly vulnerable to schemes that promise to monetise activities like carbon offsetting, when we have no widely agreed standards to ensure they are paid fairly.

The danger to us all is even more widespread greenwash.

If we fail to identify and address greenwashing, we allow ourselves false confidence that we are already addressing the causes and treating the symptoms of the climate crisis.

Greenwash makes it more likely that we won't realise this deception until it is too late.

Companies that believe their own greenwash are embedding liability, storing up risk for their investors.

NGOs like ShareAction, Make My Money Matter and ClientEarth must be applauded for their tireless work to call this out.

And the Government's work on a green taxonomy begins to address this.

Providing frameworks and legislation for sustainable disclosure allows everyone to compare like for like – and make informed choices.

The more businesses are transparent about their plans to transition to net zero and prepare for climate shocks, the easier it is to benchmark best practice, set standards and celebrate the companies that really are delivering on their commitments.

The Centre for Greening Finance and Investment is leading by example through targeted research projects to support green finance analytics.

The Green Finance Institute, which I Chair, designs, develops and facilitates portfolios of scalable financial solutions that accelerate sector-specific transitions to a low-carbon future.

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I also believe the future lies in some form of adaptation standards.

More work is needed to develop a strategic approach to managing climate risks.

Presently, we do not know:

- what the optimum level of investment is for UK climate adaptation, or
- how this should be balanced between the public and private sectors.

The Government could begin to address this by asking the Treasury to commission a review to assess the economics of resilience.

This work would be the equivalent of the 2021 Dasgupta Review into the economics of biodiversity.

It could consider:

- the costs and benefits of resilient investment both nationally and by economic sectors;
- what trajectory that investment should follow; and
- the appropriate balance between public and private investment.

This would help us understand how preparedness for climate shocks supports sustainable economic growth.

It would help to establish an overarching ambition for adaptation investment and a plan to achieve it.

As with the Government's ambition for net zero by 2050, delivering on climate resilience and nature recovery requires robust, consistent and trusted data.

Earlier this year, the Chancellor's letter to the UK Infrastructure Bank sent an important signal about the direction of travel.

It said it is "important that UKIB explores projects that make the UK's infrastructure more resilient to climate change and better adapted to future risks. More broadly, climate risk – including the impact of climate change on financial assets – should help to inform the Bank's decision making."

I want to congratulate the UK Infrastructure Bank on its Strategic Plan out last month.

And I am pleased that Nigel Topping, the UK's High Level Climate Action Champion, who launched the Race to Resilience ahead of COP26 has been appointed to the Board, alongside three others.

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There is growing evidence of a compelling case for using nature-based solutions alongside or instead of traditional infrastructure.

The Environment Agency and the Green Finance Institute – through its pioneering GFI HIVE initiative – have been working with others to show how this makes money.

Nature-based solutions provide cost-effective adaptation.

For example: natural flood management can also deliver net-zero benefits in the form of carbon capture.

In May, along with Defra, Natural England and the GFI, we announced the second round of projects funded through the Natural Environment Investment Readiness Fund.

The fund provides grants of up to £100,000 to help organisations develop projects to the stage where they can demonstrate a return on investment.

One of the four pilot schemes is the Wyre Natural Flood Management project.

This reduces flood risk to downstream communities.

Over several years, interventions in the Wyre catchment will include wetland creation, leaky barriers, sloped embankments, alongside peatland and river restoration.

It uses a new financial model which will see the upfront investment repaid through contracts with organisations that benefit from improvements, including water and insurance companies.

It is also the first environmental project eligible for Social Investment Tax Relief, which was brought in by the government in 2014, with the aim of encouraging investment in social enterprises.

The use of Social Investment Tax Relief was successful in helping to bring in high net worth investors to the Wyre project.

A similar style Environmental Investment Tax Relief would be a possible incentive worth exploring in the Green Finance Strategy 2.0.

Once we have established the financial models that work, we can scale them up at pace.

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Today, I have talked about how finance can help address the climate crisis.

The Green Finance Strategy 2.0 is an opportunity to help set the frameworks for more integration between resilience, reducing emissions and restoring nature.

But, success depends as much on how we choose to operate as it does on financial instruments.

Halfway through COP26, people in Boston, Lincolnshire, were protected from the highest tide of the year by the newly opened Boston Barrier – (the Thames and Hull barriers were also operating).

The Boston Barrier scheme is estimated to deliver over £1.4 billion in economic benefits to the town and surrounding area by encouraging investment, improving resilience and well-being, and by protecting historic assets.

This is important, but I want to talk about how the team did it.

Since the scheme's inception almost £10 million has been invested in the local economy by using local suppliers where possible.

The barrier, designed by a gender balanced team, was also the first major construction project where we mapped work against the UN's Sustainable Development Goals.

The Barrier was also made with 14,000 tonnes of low carbon concrete.

90 percent of the weight of the whole structure.

The learning from this will help us, and others all over the world, to steer large and small infrastructure projects that reduce emissions, help society and drive economic development.

We need to promote such choices, not only so my dedicated colleagues and their partner organisations get credit for their leadership.

But, so we can help investors properly understand the value of preparing for climate shocks and building more resilient communities.

In finance, the importance of disclosure and data cannot be underestimated.

Now, we need to use disclosure and data as a launchpad for deals and delivery.

Thank you.

UK to implement further punishing economic measures on Belarus

News story

The UK government introduces new sanctions on Belarus as the Lukashenko regime continues to actively facilitate Putin’s illegal invasion.

- New legislation will block the trade of around £60 million of goods with Belarus for its role in supporting the Russian invasion of Ukraine
- These measures include a ban on the export of oil refining goods, technology, and luxury goods

The UK government will tomorrow (5 July 2022) introduce new economic, trade and transport sanctions on Belarus as the Lukashenko regime continues to actively facilitate Putin’s illegal invasion.

The package extends some of the significant measures made against Russia to Belarus, including import and export bans on goods worth around £60 million. This includes:

- Exports of oil refining goods
- Exports of advanced technology components, such as those used in quantum computing
- Exports of luxury goods, including British artwork and designer handbags
- Imports of Belarusian iron and steel

The UK government is also restricting Belarus’ access to the UK’s world class financial services sector – banning more Belarusian companies from issuing debt and securities in London.

The Belarus regime has actively facilitated Putin’s invasion, letting Russia use its territory to pincer Ukraine – launching troops and missiles from their border and flying Russian jets through their airspace. Lukashenko has also openly supported the Kremlin’s narrative, claiming that Kyiv was “provoking Russia” in order to justify Putin’s bloody invasion.

Today’s measures build on the wide-ranging measures the UK government has introduced on Belarus, including a 35 percent increase on tariffs on a range of goods originating from Belarus and sanctions on President Lukashenko and senior government officials for their continued human rights violations and undermining of democracy.

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