

SoA RESPONSE TO THE HMRC CONSULTATION ON ROYALTIES WITHHOLDING TAX



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The Society of Authors exists to protect the rights and further the interests of authors. It has more than 10,000 members writing in all areas of the profession including authors, illustrators, screen writers, novelists, academics, poets, translators, illustrators and photographers.

Executive Summary

We note the consultation (<https://www.gov.uk/government/consultations/royalty-withholding-tax>) and HMRC's comment that it is primarily aimed at groups of companies rather than individual authors such as our members.

However, we wish to remind HMRC of the exemptions provided to bona fide authors and urge that they are retained and formalised in any legislation, as we are concerned that the exemption for bona fide authors might be swept away by accident.

Background

For many years, bona fide authors carrying on their profession outside the United Kingdom have been exempt from withholding tax. The exemption has been known locally as the Hansard Exemption but it is really a confirmation that non-resident authors' royalties are outside the scope of the withholding tax requirement in S906ITA2007.

The 'Hansard Statement' was an explanation as to the extent of S470 Income Tax Act 1982. This is the section that mandated a withholding of income tax from royalties paid to a person resident overseas. The Hansard statement expressly states that the obligation

"does not apply to payments made to those who are authors by profession, nor does it apply if the recipient is living in a country with which we have a double taxation agreement requiring us to exempt such payments".

The intention here is clear: that the exclusion of authors is separate and distinct from any double taxation agreement relief that may be due.

We are concerned to ensure that in looking at the law for companies and in making changes HMRC does not accidentally sweep away the author exception in a reform of the law. The exemption works well for authors and we urge that it is preserved in any legislative change.

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