

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT DOUBLE TAXATION RELIEF AND
INTERNATIONAL TAX ENFORCEMENT
(BELARUS) (REVOCATION) ORDER 2025

DRAFT DOUBLE TAXATION RELIEF (RUSSIAN
FEDERATION) (REVOCATION) ORDER 2025

Tuesday 4 March 2025

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The Committee consisted of the following Members:

Chair: DR RUPA HUQ

† Ballinger, Alex (*Halesowen*) (Lab)
 † Campbell-Savours, Markus (*Penrith and Solway*) (Lab)
 Cooper, Daisy (*St Albans*) (LD)
 † Cooper, John (*Dumfries and Galloway*) (Con)
 † Davies, Gareth (*Grantham and Bourne*) (Con)
 De Cordova, Marsha (*Battersea*) (Lab)
 † Dixon, Anna (*Shipley*) (Lab)
 † Hussain, Imran (*Bradford East*) (Lab)
 † Jones, Clive (*Wokingham*) (LD)
 † Murray, James (*Exchequer Secretary to the Treasury*)

† Nichols, Charlotte (*Warrington North*) (Lab)
 † Snell, Gareth (*Stoke-on-Trent Central*) (Lab/Co-op)
 † Stephenson, Blake (*Mid Bedfordshire*) (Con)
 Vaughan, Tony (*Folkestone and Hythe*) (Lab)
 † Wakeford, Christian (*Bury South*) (Lab)
 † Walker, Imogen (*Hamilton and Clyde Valley*) (Lab)
 † Wild, James (*North West Norfolk*) (Con)

Luanne Middleton, *Committee Clerk*

† **attended the Committee**

Fourth Delegated Legislation Committee

Tuesday 4 March 2025

[DR RUPA HUQ *in the Chair*]

Draft Double Taxation Relief and International Tax Enforcement (Belarus) (Revocation) Order 2025

2.30 pm

The Exchequer Secretary to the Treasury (James Murray): I beg to move,

That the Committee has considered the draft Double Taxation Relief and International Tax Enforcement (Belarus) (Revocation) Order 2025.

The Chair: With this it will be convenient to consider the draft Double Taxation Relief (Russian Federation) (Revocation) Order 2025.

James Murray: It is a pleasure to serve on this Committee with you as Chair, Dr Huq. The orders before us give effect to the suspension of the 2018 UK-Belarus and 1994 UK-Russia double taxation conventions in UK law. The orders revoke earlier legislation that previously gave effect to the treaties in UK law. The effect of the orders is that UK tax law will apply as if no treaty were in place with those countries from the new tax year, which begins on 1 April for corporation tax and on 6 April for income tax and capital gains tax, and for the equivalent taxes of Russia and Belarus.

The UK will tax UK-sourced income and gains without reference to the limits agreed in the treaty. Unilateral relief is available in UK domestic law to UK resident taxpayers, meaning that when a UK resident taxpayer has paid foreign tax, credit is available for the foreign tax already paid. That provides protection to UK resident taxpayers against the harmful effects of double taxation, and the rules apply wherever income or gains are not covered by a double taxation convention. However, benefits will no longer be available to residents of Russia or Belarus. The UK has decided to suspend the treaties in response to the actions of those countries, which have not been honouring their obligations under these conventions for some time.

In August 2023, Russia partially suspended its tax treaties with 38 countries, including the UK and other G7 countries that it termed “unfriendly.” Russia left in place only definitional and some administrative provisions, suspending all the articles concerning taxation of income, including those that contain limits on what can be taxed at source.

In March 2024, Belarus took action similar to Russia’s in relation to 27 countries, including the UK. It partially suspended the treaties, including the UK-Belarus treaty. Belarus suspended articles dealing with dividends, interest and capital gains, and then introduced higher rates of tax targeting foreigners in its domestic law.

Both Russia and Belarus have claimed that their action is in response to sanctions. Sanctions imposed on Russia and Belarus are a legitimate response to the illegal invasion of the sovereign nation of Ukraine. The

sanctions are a reasonable and lawful response to Russian aggression, and to Belarus’s support and enabling of Russia’s actions. Their action to suspend material provisions of our tax agreement is therefore totally unjustified in international law.

The actions of Belarus and Russia are a material breach of the tax treaties and justify reciprocal action from the UK. In line with international law, the UK wrote to Russia and Belarus in December notifying them of our intention to suspend the treaties unless they remedied their material breach of the tax treaties within three months. Neither Russia nor Belarus has remedied their breach or returned to compliance. As a consequence, and in common with partner countries, the UK intends to suspend the tax treaties with Russia and Belarus unless they remedy their breach before the three-month deadline expires: on 24 March for Russia and 23 March for Belarus. They have been given ample time and opportunity to rectify their breach.

International law permits the UK to suspend the treaties in full. The UK has chosen this action as a proportionate response to the violation by Russia and Belarus of their obligations under the terms of their treaties with the UK. If either country comes back into compliance with its treaty obligations and remedies the material breaches, the UK can take steps internationally and domestically to give effect to a treaty again. But until such a time, the UK will apply domestic tax law without granting any of the limits agreed in the tax treaties in relation to payments of dividends, interest and royalties, and other types of income or capital gains arising in the UK.

The UK has been acting in lockstep with partners, including other G7 countries, ever since Russia and then Belarus unlawfully suspended provisions of the tax treaties. Countries including the United States, Canada, France and Germany have also suspended their tax treaties with Russia. Other partner countries have suspended their tax treaties with Belarus.

In summary, the orders give effect to the Government’s decision to suspend the UK’s double taxation conventions with Russia and Belarus in response to their material breach of treaty obligations. That means that Russian and Belarusian taxpayers will no longer be entitled to receive treaty benefits in UK law in circumstances where those countries have withdrawn benefits from UK resident taxpayers. UK tax law will apply from April, as though no tax treaty were in place with either Russia or Belarus.

I commend these orders to the Committee.

2.35 pm

Gareth Davies (Grantham and Bourne) (Con): It is a great pleasure to see you in the Chair, Dr Huq. It is also a great pleasure to see the Minister. It has been so long since we last saw each other—it must be at least two hours.

I am grateful to the Minister for laying these statutory instruments, which will revoke the double taxation conventions with Belarus and Russia. Russia fell out of compliance with all material provisions of its convention with the UK in August 2023, with Belarus following in March 2024. The UK did not immediately accept the suspensions and urged both countries to reverse their decisions and return to compliance with the conventions. However, given Russia and Belarus’s persistent refusal

to comply with their international obligations, the UK has now rightly taken the decision to revoke both the 2018 and 1994 orders.

I am pleased to say that His Majesty's Opposition support these statutory instruments, which are a proportionate and sensible step given Russia and Belarus's continuing breach of their international obligations. Of course, the measures build on steps taken by the previous Government in response to the invasion of Ukraine and the non-compliance with international obligations. For example, back in March 2022, we suspended co-operation with Russia and Belarus on exchanging and sharing tax information.

We support today's measures, but I end by asking for one small point of clarification. The conventions state that signatories must give six months' notice to terminate the agreement. Has the UK provided that notice, or did Russia's unilateral suspension of the convention mean that such notice was no longer required?

2.37 pm

Clive Jones (Wokingham) (LD): It is a pleasure to serve under your chairship, Dr Huq. I thank the Minister for his remarks. I will briefly set out the Liberal Democrat view on this statutory instrument.

Revoking double taxation relief for Belarus and Russia is the right thing to do. They reneged on their treaty obligations to the UK, so it is only correct that we cancel the treaty. However, it is a bit surprising and concerning that it has taken so long for the Government to reach this decision.

Russia suspended its implementation of the treaty in August 2023, so the previous Conservative Government should have acted with urgency to revoke the treaty in response, particularly in the wider context of Russia's illegal and brutal invasion of Ukraine, which is supported by Belarus. It was a mistake not to act sooner, so can the Minister assure us that equivalent SIs will not take so long to be implemented by this Government?

2.38 pm

James Murray: I thank the hon. Members for Grantham and Bourne and for Wokingham for their contributions to this short but important debate.

In response to the shadow Minister's question, I clarify that these orders do not terminate the treaties. Rather, they are a suspension under the Vienna convention. Had we chosen to terminate, it would not have taken effect until at least 2026. Suspension is therefore a quicker and more effective way to ensure balance in our obligations.

As I made clear in my earlier remarks, the UK has acted in line with the majority of our allies, including the G7, by suspending these treaties. The hon. Member for Wokingham asked about the timetable for suspending these provisions, and we believe that the Government have acted reasonably and responsibly by giving time for the other countries to come back into compliance with their legal obligations and to act consistently with other like-minded countries. None the less, I welcome his support for what we seek to achieve today.

The orders before the Committee will give effect to the Government's decision to suspend the double taxation conventions with Russia and Belarus. This will prevent Russian and Belarusian residents from continuing to be entitled to benefits in circumstances where those countries do not grant benefits to UK taxpayers.

I am grateful to hon. Members for their contributions and for the united front across the House.

Question put and agreed to.

**DRAFT DOUBLE TAXATION RELIEF
(RUSSIAN FEDERATION) (REVOCATION)
ORDER 2025**

Resolved,

That the Committee has considered the draft Double Taxation Relief (Russian Federation) (Revocation) Order 2025.—(*James Murray.*)

2.41 pm

Committee rose.

