EXPLANATORY MEMORANDUM TO

THE CORPORATE INTEREST RESTRICTION (ELECTRONIC COMMUNICATIONS) (AMENDMENT) REGULATIONS 2026

2026 No. 352

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) and is laid before the House of Commons by Command of His Majesty.

1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

2. Declaration

2.1 Dan Tomlinson MP, Exchequer Secretary to the Treasury, confirms that this Explanatory Memorandum meets the required standard.

2.2 Victoria Garton, Deputy Director for the Financial Products and Services team at HMRC, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Richard Daniel at HMRC can be contacted by email at the following address with any queries regarding the instrument: financialproductsbai@hmrc.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 Corporate Interest Restriction (CIR) limits the amount of financing costs a group can deduct against its UK taxable profits to ensure deductions are not excessive when compared to its UK activities. It applies where net financing costs of a group exceed £2 million per annum. The rules operate on a worldwide group basis, which is based on International Financial Reporting Standards consolidation rules and covers both single-company and multi-company groups.

4.2 The Finance Act 2026 amends the CIR legislation to simplify administration of reporting companies under the regime.

4.3 This instrument makes certain consequential amendments that are required to the Corporate Interest Restriction (Electronic Communications) Regulations 2022 (S.I. 2022/770).

Where does the legislation extend to, and apply?

4.4 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.5 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 CIR operates on a group basis. It allows groups to appoint a reporting company to act on behalf of the other companies in the group to simplify the administration of the regime.

5.2 The administrative rules for CIR have caused problems for some groups. In particular, difficulties can arise where groups do not appoint a reporting company on time. The lack of a reporting company can invalidate any interest restriction returns that they have submitted and deny access to certain beneficial elements of the rules. This can give rise to increased tax liabilities, which stakeholders have described as a disproportionate outcome. It can also give rise to difficulties and additional work for HMRC.

5.3 The Finance Act 2026 includes provisions to amend Schedule 7A to the Taxation (International and Other Provisions) Act (TIOPA) 2010.

5.4 The Finance Act 2026 amends the rules for the appointment of reporting companies by businesses under paragraph 1 of Schedule 7A to TIOPA 2010 by removing the time limit to make an appointment and removing the requirement for the appointment to be made 'by notice' to HMRC. Instead, businesses will be responsible for ensuring the reporting company has been appointed for a period, with details of the appointment disclosed in the interest restriction return. This simplifies the administration of reporting companies within the CIR regime.

5.5 The Corporate Interest Restriction (Electronic Communications) Regulations 2022 require certain CIR filings, including the appointment or revocation of a reporting company, to be submitted to HMRC exclusively via an approved electronic communication method. Any submission not made through such a method is considered invalid or undelivered.

5.6 Due to the changes introduced by the Finance Act 2026, the Corporate Interest Restriction (Electronic Communications) Regulations 2022 need to be amended, as the requirement for electronic submission of a notice appointing or revoking a reporting company will be redundant for periods of account ending on or after 31 March 2026.

What was the previous policy, how is this different?

5.7 Appointments and revocations of reporting companies had to be made by notice to HMRC. This is no longer required for periods of account ending on or after 31 March 2026 following the amendments made in the Finance Act 2026.

6. Legislative and Legal Context

How has the law changed?

6.1 Due to the revised approach to reporting company appointments and revocations, consequential amendments to the Corporate Interest Restriction (Electronic Communications) Regulations 2022 are needed. Specifically, the requirement for electronic submission of a notice appointing or revoking a reporting company will be redundant for periods of account ending on or after 31 March 2026. As a result, this instrument amends regulations 2 and 3.

Why was this approach taken to change the law?

6.2 It was considered appropriate to make the changes to the Corporate Interest Restriction (Electronic Communications) Regulations 2022 by way of secondary legislation due to the minor and technical nature of the changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 In April 2025, as part of Tax Update Spring 2025: Simplification, Administration and Reform (TUSAR)[1], the government announced that it would engage with stakeholders on opportunities to simplify and improve the administration rules for CIR and, in particular, reporting company appointments under the regime. HMRC established a working group which was open to all stakeholders with relevant technical expertise. The changes introduced by the Finance Act 2026 reflect the feedback received and remove the requirement for appointments and revocations of reporting companies to be made 'by notice'.

7.2 A draft of the instrument for the consequential changes to Corporate Interest Restriction (Electronic Communications) Regulations 2022 has not been published for comment due to the minor and technical nature of the changes. HMRC shared a draft of the instrument with the working group. Stakeholders did not propose any changes.

8. Applicable Guidance

8.1 HMRC guidance in the Corporate Finance Manual will be amended.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note covering this instrument was published on 26 November 2025 alongside the Budget 2025 and is available on the gov.uk website.[2]

9.2 It remains an accurate summary of the impacts that apply to this instrument.

Impact on businesses, charities and voluntary bodies

9.3 The impact on charities and voluntary bodies is negligible. The overall changes made by Finance Act 2026 to CIR reporting companies will have an impact on large businesses and more information can be found in the Tax Information and Impact Note referred to in paragraph 9.1. This instrument is making minor, consequential changes as a result of the primary legislation.

9.4 The legislation does not impact small or micro businesses because the CIR rules do not apply to groups with less than £2 million of net financing costs per annum.

9.5 The impact on the public sector is negligible.

[1] Tax update spring 2025: simplification, administration and reform summary: https://www.gov.uk/government/publications/summary-of-tax-update-spring-2025-simplification-administration-and-reform/tax-update-spring-2025-simplification-administration-and-reform-summary

[2] Tax Information and Impact Note: https://www.gov.uk/government/publications/corporate-interest-restriction-reporting-companies/corporate-interest-restriction-reporting-companies

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is through regular communication with affected taxpayer groups.

10.2 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The instrument comes into force less than 21 days after it was laid, which is of particular interest to the Select Committee on Statutory Instruments. This is necessary in order for the amendments to align with the changes to the CIR included in the Finance Act 2026, which have effect for periods of accounts ending on or after 31 March 2026. The instrument is required to have effect for the same periods of account to ensure consistency between the primary and secondary legislation.

11.2 The instrument is required as a consequence of the changes included in the Finance Act 2026 and is dependent on that Act. Therefore it was necessary for that Act to be granted Royal Assent before the instrument could be laid. Due to the short period of time between Royal Assent of the Finance Act 2026 and 31 March 2026, it was not possible to comply with the 21-day rule.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).