



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 3

MULTINATIONAL TOP-UP TAX

CHAPTER 4

CALCULATION OF ADJUSTED PROFITS OF MEMBERS OF A MULTINATIONAL GROUP

Adjustments of underlying profits

138 Profits adjusted to be before tax

- (1) The underlying profits of a member of a multinational group for an accounting period are to be adjusted by adding back any debit, and excluding any credit, for tax expense amounts reflected in its those profits.
- (2) In [this Part](#) “tax expense amount” means an amount of tax expense (including a deferred tax expense) in respect of—
 - (a) a covered tax (whether or not the income to which the tax relates are excluded from adjusted profits for the purposes of [this Part](#));
 - (b) multinational top-up tax, or any tax equivalent to multinational top-up tax;
 - (c) a qualifying domestic top-up tax (see [section 256](#));
 - (d) a qualifying undertaxed profits tax (see [section 257](#));
 - (e) taxes accrued by an insurance company in respect of returns to policyholders to the extent that [section 152\(2\)](#) applies in relation to those taxes;
 - (f) a disqualified refundable imputation tax (see [section 253](#)).

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139 Profits adjusted to be profits before consolidation adjustments to eliminate intragroup transactions

- (1) The underlying profits of a member of a multinational group are to be adjusted so that they include income, expenses, gains and losses arising from transactions between that member and other members of that group.
- (2) **Subsection (1)** is subject to—
 - (a) [section 137](#) (amounts outside profit and loss excluded), and
 - (b) [section 164](#) (where an election is made under that section to exclude profits from intra-group transactions).

140 Profits adjusted to be profits before certain purchase accounting adjustments

- (1) The underlying profits of a member of a multinational group for an accounting period are to be adjusted so that they do not reflect relevant share acquisition adjustments.
- (2) “Relevant share acquisition adjustment” means a purchase accounting adjustment to the consolidated financial statements of an ultimate parent of a multinational group arising as a result of an entity becoming a member of the group as a result of the acquisition of shares in the entity by an existing member of the group.
- (3) This section does not apply to a relevant share acquisition adjustment resulting from an acquisition of shares before 1 December 2021 if it is not reasonably practicable to identify the adjustment made.

141 General exclusion of dividends

- (1) The underlying profits of a member of a multinational group are to be adjusted so as to exclude any excluded dividends received or accrued by that member.
- (2) “Excluded dividends” means—
 - (a) a dividend or other distribution arising as a result of a qualifying interest in a flow-through entity (see [section 168](#)), or
 - (b) any other dividend or other distribution arising as a result of a qualifying interest in an entity, other than a dividend or other distribution falling within [subsection \(3\)](#).
- (3) The following fall within [this subsection](#)—
 - (a) a dividend or other distribution arising as a result of a qualifying interest that is a short-term portfolio holding;
 - (b) a dividend or other distribution arising as a result of a qualifying interest in an investment entity that is subject to an election under [section 214](#) (taxable distribution method election);
 - (c) a dividend or other distribution made by a member of a multinational group if—
 - (i) its recipient is a member of the same group, and
 - (ii) payments in respect of the distribution (whether or not the distribution was accounted for as a distribution at the time of payment) are treated as an expense of the member that made it for the purposes of determining the member’s underlying profits, or
 - (d) any other dividend or other distribution to the extent it reflects debt rather than a qualifying interest.

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- (4) For the purposes of [subsection \(2\)](#) a qualifying interest in an entity held by a member of a multinational group is a portfolio holding if, on the vesting date of the distribution, the members of that group do not, between them, have qualifying interests that entitle them to 10% or more of the entity's—
 - (a) profits,
 - (b) capital,
 - (c) reserves, and
 - (d) voting rights.
- (5) A portfolio holding held by a member of a multinational group is a short-term portfolio holding if it was held for less than 1 year before the vesting date of the distribution.
- (6) The vesting date of a distribution is the earlier of—
 - (a) the day on which it is made, and
 - (b) the day on which the person to whom it arises is entitled to have it made.
- (7) The filing member of a multinational group may elect that all portfolio holdings held by a member of the group specified in the election are to be treated for the purposes of [this section](#) as short-term portfolio holdings.
- (8) [Paragraph 1 of Schedule 15](#) (long term elections) applies to an election under [subsection \(7\)](#).
- (9) In [this section](#), and in [section 142](#), “qualifying interest” in an entity means—
 - (a) a direct ownership interest in it, or
 - (b) an entitlement to exercise voting rights in relation to it.

142 Excluded equity gain or loss

- (1) The underlying profits of a member of a multinational group are to be adjusted so as to exclude any excluded equity gain or loss.
- (2) “Excluded equity gain or loss” means any gain, profit or loss arising from—
 - (a) gains and losses from changes in fair value of a qualifying interest or the impairment of such an interest, other than an interest to which [subsection \(3\)](#) applies,
 - (b) profit or loss in respect of a qualifying interest included in underlying profits under the equity method of accounting, other than an interest to which [subsection \(3\)](#) applies, or
 - (c) gains and losses from a disposition of a qualifying interest, other than an interest to which [subsection \(3\)](#) applies.
- (3) [This subsection](#) applies to a qualifying interest in an entity if the members of the multinational group do not, at the relevant time, have qualifying interests between them that entitle them to 10% or more of that entity's—
 - (a) profits,
 - (b) capital,
 - (c) reserves, and
 - (d) voting rights.
- (4) The “relevant time” means—

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- (a) for the purposes of testing whether [subsection \(3\)](#) applies to an interest for the purposes of [subsection \(2\)\(a\)](#) or [\(b\)](#), the end of the accounting period in which the gain, profit or loss arose, and
 - (b) for the purposes of testing whether [subsection \(3\)](#) applies to an interest for the purpose of [subsection \(2\)\(c\)](#), immediately before the disposition.
- (5) See also [section 165](#) which provides for an election to treat certain gains or losses as not being excluded equity gains or losses.

143 Included revaluation method gain or loss

- (1) The underlying profits of a member of a multinational group are to be adjusted so as to include any relevant revaluation method gain or loss.
- (2) “Relevant revaluation method gain or loss” means a gain or loss, before making any adjustment to reflect tax expense amounts, arising as a result of the use of an accounting method or practice that—
 - (a) periodically adjusts the carrying value of the member’s property, plant and equipment to its fair value,
 - (b) records the changes in value in other comprehensive income, and
 - (c) does not subsequently report the gains or losses through the profit and loss account.
- (3) In [this Part](#)—
 - “other comprehensive income”, in relation to a member of a multinational group, means items of income and expense that are recognised, in the underlying profits accounts, outside the profit and loss account;
 - “property, plant and equipment” has the meaning given, for the time being, by International Accounting Standard 16.

144 Adjustments for asymmetric foreign currency income and losses

- (1) This section only applies in relation to a member of a multinational group where its accounting currency and its tax currency are different.
- (2) Where—
 - (a) the member has a gain or a loss as a result of fluctuations in the exchange rate between its accounting currency and its tax currency, and
 - (b) the gain or loss is reflected differently in its taxable income and in the determination of its underlying profits (including where it is not reflected at all in one of those),
 the member’s underlying profits are to be adjusted so that the gain or loss is reflected in those profits on the same basis it is reflected in its taxable income.
- (3) Where—
 - (a) the member has a gain or a loss as a result of fluctuations in the exchange rate between its accounting currency and a third currency,
 - (b) the gain or loss is reflected in its underlying profits, and
 - (c) the gain or loss is not reflected, or is reflected to a different extent, in its taxable income,
 the member’s underlying profits are to be adjusted to exclude that gain or loss.

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(4) Where—

- (a) the member has a gain or a loss as a result of fluctuations in the exchange rate between its tax currency and a third currency, and
- (b) the income or loss is not reflected, or is reflected to a different extent, in its underlying profits,

the member's underlying profits are to be adjusted so that the gain or loss is fully reflected in those profits (whether or not it is reflected in its taxable income).

(5) In this Part—

“accounting currency” means the currency of the main economic environment in which a member of a multinational group operates;

“tax currency” means the currency in which the profits of that member are determined for the purposes of determining its liability to covered taxes in the territory in which it is located;

“third currency” means any currency which is neither the accounting currency nor the tax currency of the member;

“taxable income” means income subject to, and determined for the purposes of, covered taxes.

145 Exclusion of expenses for illegal payments, fines and penalties

(1) Where the underlying profits of a member of a multinational group reflects—

- (a) expenses accrued for illegal payments (for example, bribes or kickbacks), or
- (b) expenses accrued for fines or penalties of 50,000 euros or more,

those profits are to be adjusted to exclude those expenses.

(2) For the purposes of [subsection \(1\)\(a\)](#), a payment is illegal if the making of that payment is, or forms part of conduct which is, an offence under the law of—

- (a) the United Kingdom,
- (b) the territory of the member, or
- (c) the territory of the ultimate parent.

(3) For the purposes of [subsection \(1\)\(b\)](#), where more than one fine or penalty is accrued in respect of the same conduct, or for continuing conduct, those fines or penalties are to be aggregated.

146 Adjustment for changes in accounting policies and prior period errors

Where there has been a change to the net assets and liabilities of a member of a multinational group at the start of an accounting period, the underlying profits of that member for that period are to be adjusted to include the amount of that change if the change is attributable to—

- (a) a change in accounting policy that affects income or expenses included in determining the member's adjusted profits, or
- (b) a correction of an error reflected in the determination, for the purposes of this Part, of the adjusted profits of the member for a previous accounting period, except to the extent the correction of the error results in a material decrease to the member's liability to covered taxes such that [section 217](#) (post-filing adjustments of covered taxes) applies.

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147 Accrued pension expense

Where the underlying profits of a member of a multinational group for an accounting period reflect pension expense, the underlying profits are to be adjusted in accordance with the following steps—

Step 1

Determine whether income (expressed as a positive number) or expense (expressed as a negative number) has accrued to the member in respect of the pension fund in the period.

Step 2

Add the sum of contributions made to the pension fund by the member in the period to the result of Step 1.

Step 3

If the result of Step 2 is more than nil, reduce the underlying profits by that amount.

If the result of Step 2 is less than nil, increase the underlying profits by that amount (as expressed as a positive number).

148 Treatment of qualifying refundable tax credits

- (1) The underlying profits of a member of a multinational group are to be adjusted (if necessary) to secure that—
 - (a) qualifying refundable tax credits are treated as income, and
 - (b) other tax credits (refundable or otherwise) are not treated as income.
- (2) A refundable tax credit is “qualifying” to the extent that, under the law of the territory in which it is given, it entitles a person to receive (by way of payment or discharge of liability) the amount of the refundable tax credit within 4 years of meeting the conditions for receiving it.
- (3) But a refundable tax credit is never qualifying if it is creditable or refundable pursuant to a qualified refundable imputation tax or a disqualified refundable imputation tax (see [section 253](#)).
- (4) In this Part “refundable tax credit” means a tax credit which—
 - (a) after any liability to covered taxes has been reduced or discharged by it, or
 - (b) in the absence of any tax liability to covered taxes,
 is payable in cash or cash equivalents (which for these purposes includes by way of discharge against a liability to a tax which is not a covered tax).

149 Arm’s length requirement for certain transactions

- (1) [Subsection \(6\)](#) applies to a member of a multinational group if any of Conditions A to D are met.
- (2) Condition A is that—
 - (a) a debit is recorded in the underlying profits accounts of the member that arises from a transaction (“the relevant transaction”) comprising a transfer of an asset between the member and another member of that group,
 - (b) both members are located in the same territory, and
 - (c) the relevant transaction is not recorded on an arm’s length basis.
- (3) Condition B is that—

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- (a) the member is party to a transaction (“the relevant transaction”) with another member of that group,
 - (b) both members are located in the same territory,
 - (c) one of the members is a minority owned member and the other is not, and
 - (d) the relevant transaction is not recorded in the member’s underlying profits accounts on an arm’s length basis.
- (4) Condition C is that—
- (a) the member is party to a transaction (“the relevant transaction”) with another member of that group,
 - (b) both members are located in the same territory,
 - (c) one of the members is an investment entity and the other is not, and
 - (d) the relevant transaction is not recorded in the member’s underlying profits accounts on an arm’s length basis.
- (5) Condition D is that—
- (a) the member is party to a transaction (“the relevant transaction”) with another member of that group,
 - (b) both members are located in the same territory, and
 - (c) the recorded value of the relevant transaction is not the same in each member’s underlying profits accounts.
- (6) Where [this subsection](#) applies to a member of a multinational group, the underlying profits of the member are to be adjusted to secure that the relevant transaction is reflected on an arm’s length basis.
- (7) In [this Part](#) “arm’s length basis”, in relation to a transaction between members of the same multinational group, means reflecting the conditions of the transaction as would have been obtained had the transaction been conducted between independent enterprises in a comparable transaction under comparable circumstances.

150 Transactions between members of a multinational group: differences with accounting for tax

- (1) [This section](#) applies if—
- (a) a transaction between two members of a multinational group located in different territories is not recorded in the same amount, or is not recorded on an arm’s length basis (or is not recorded at all), in the underlying profits accounts of both of those members, and
 - (b) there is a permanent difference in respect of the transaction in relation to one or both of those members as a result of adjustments to the taxable income of the member made in connection with transfer pricing.
- (2) [Subsection \(3\)](#) applies if—
- (a) for each member there is a permanent difference in respect of the transaction which arises as a result of adjustments made in connection with transfer pricing, and
 - (b) the permanent difference for each member corresponds to the permanent difference for the other.

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- (3) Where [this subsection](#) applies, the underlying profits of each of the members are to be adjusted so that the amount of the transaction reflects the amount reflected in the member's taxable income.
- (4) [Subsection \(5\)](#) applies if—
- (a) one of the members (“A”) is a high tax member,
 - (b) there is a permanent difference for A in respect of the transaction which arises as a result of adjustments made in connection with transfer pricing, and
 - (c) there is no permanent difference for the other member (“B”) in respect of the transaction arising as a result of adjustments made in connection with transfer pricing.
- (5) Where [this subsection](#) applies—
- (a) the underlying profits of A are to be adjusted so that the amount of the transaction reflects the amount reflected in the member's taxable income, and
 - (b) an adjustment is to be made to the underlying profits of B which corresponds with the amount of the adjustment made to the profits of A.
- (6) For the purposes of [this section](#), a member of a multinational group is a high tax member for an accounting period (“the relevant period”) if—
- (a) the nominal tax rate in the territory in which the member is located is, or exceeds, 15% in the relevant period, and
 - (b) the effective tax rate of the standard members of that group in that territory is, or exceeds, 15% in either, or both, of the accounting period that immediately preceded the relevant period and the accounting period immediately before that one.
- (7) In this section reference to a “permanent difference” is to a difference between the treatment of an amount for the purposes of covered taxes and for accounting purposes that is not eliminated over time (and accordingly does not give rise to deferred tax).

151 Adjustments for companies in distress

- (1) [This section](#) applies to a member of a multinational group where—
- (a) it is released from an obligation to pay a debt (however that obligation arises), and
 - (b) at the time of that release, one or more of the circumstances mentioned in [paragraphs \(a\) to \(c\) of subsection \(2\)](#) applied to it.
- (2) Those circumstances are—
- (a) that the member meets an insolvency condition mentioned in [paragraphs \(a\) to \(e\) of section 322\(6\) of CTA 2009](#) (release of debts);
 - (b) that—
 - (i) it is reasonable to suppose that within 12 months, ignoring any debts owed to persons and entities that are connected to the member, the member will be unable to meet its debts to persons and entities it is not connected to as they fall due, and
 - (ii) the member has obtained an independent expert opinion confirming that is the case;
 - (c) that the member's liabilities exceed its assets.

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- (3) Where the circumstance in [subsection \(2\)\(a\)](#) applies to the member, its underlying profits are to be adjusted to exclude any profits arising as a result of the release of the debt obligation.
- (4) Where—
- (a) the circumstance in [subsection \(2\)\(b\)](#) applies to the member,
 - (b) the circumstance in (2)(a) does not, and
 - (c) the debt—
 - (i) is not a debt owed to a person or entity that is connected to the member, or
 - (ii) the debt is owed to a person or entity that is connected to the member, but the release of the debt obligation can reasonably be regarded as part of arrangements to secure the solvency of the member that involve the release of debt owed to a person that is not connected to the member,
- the member's underlying profits are to be adjusted to exclude any profits arising as a result of the release of the debt obligation.
- (5) [Subsection \(6\)](#) applies where—
- (a) the circumstance in [subsection \(2\)\(c\)](#) applies to the member,
 - (b) neither the circumstance in [subsection \(2\)\(a\)](#) nor [\(2\)\(b\)](#) applies to the member, and
 - (c) the debt is not a debt owed to a person or entity that is connected to the member.
- (6) Where [this subsection](#) applies, the underlying profits of the member are to be adjusted to exclude the lesser of—
- (a) the amount of any profits arising as a result of the release of the debt obligation,
 - (b) if, as a result of the release of the debt obligation, the member's assets exceed its liabilities, the amount by which its liabilities exceeded its assets immediately before the release, and
 - (c) if, in determining the member's liability to tax, some or all of the profits arising as a result of the release of the debt obligation are offset by deferred tax assets, the amount of those profits that are offset.
- (7) Where the member is released from more than one obligation to pay a debt at the same time, the release of those obligations is to be treated, for the purposes of applying the conditions in [this section](#), as if they represented the release of a single obligation to pay a debt.

152 Adjustments where life assurance business carried on

- (1) This section applies to a member of a multinational group that carries on a life assurance business.
- (2) Where amounts charged to the member's policyholders for taxes payable by the member are reflected in its underlying profits, those profits are to be adjusted to exclude such of those amounts as would (had they not been charged to the policyholders) have formed part of the member's tax expense amount.

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- (3) Where returns to the member’s policyholders are not reflected in the member’s underlying profits but corresponding increases or decreases in the liability of the member to the policyholders are so reflected, those profits are to be adjusted so as to reflect those returns to the extent they correspond with those increases or decreases in liability.
- (4) In this section “life assurance business” has the meaning it has in section 56 of FA 2012.

153 Exclusion of certain insurance reserve movement expense

- (1) The underlying profits of a member of a multinational group that is an insurance company are to be adjusted so as to exclude any expense resulting from the movement of its insurance reserves where the movement is economically matched by excluded dividends (ignoring the extent to which those dividends also reflect any investment management fees).
- (2) The underlying profits of a member of a multinational group that is an insurance company are to be adjusted so as to exclude any expense resulting from the movement of its insurance reserves where the movement is economically matched by an excluded equity gain or loss.

154 Exclusion of qualifying intra-group financing arrangement expenses

- (1) Where—
 - (a) the underlying profits of the member of a multinational group for an accounting period reflect expenses attributable to a qualifying intra-group financing arrangement that could be reasonably expected, over the expected duration of the arrangement, to—
 - (i) increase the amount of expenses taken into account in calculating the member’s underlying profits, and
 - (ii) not result in a corresponding increase in the taxable income of a member of the group that is a high tax member for that period,
 - (b) the member is a low tax member for that period, and
 - (c) the expenses are not required to be included as a result of [section 155](#),
 the member’s underlying profits for that period are to be adjusted to exclude those expenses.

- (2) In [this section](#)—
 - “intra-group financing arrangement” means an arrangement between two or more members of a multinational group under which a member (member A) directly or indirectly provides credit or otherwise makes an investment in another member (member B);
 - an intra-group financing arrangement is “qualifying” if member A is a high tax member and member B is a low tax member;
 - a member of a multinational group is a “low tax member” in an accounting period if the effective tax rate for the standard members of the group located in the member’s territory for that period would, ignoring intra-group financing arrangements, be less than 15%;
 - a member of a multinational group is a “high tax member” in an accounting period if the effective tax rate for the standard members of the group located in

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the member's territory would, ignoring intra-group financing arrangements, be 15% or more.

155 Qualifying tier one capital

- (1) Where amounts recognised by a member of a multinational group as a decrease to its equity in an accounting period that is attributable to distributions paid or payable in respect of qualifying tier one capital issued by the member are not reflected in its underlying profits for that period as expenses, those profits are to be adjusted to reflect those amounts as expenses.
- (2) Where amounts recognised by a member of a multinational group as an increase to its equity in an accounting period that is attributable to distributions received or receivable in respect of qualifying tier one capital held by the member are not reflected in its underlying profits for that period as income, those profits are to be adjusted to reflect those amounts as income.
- (3) In this section “qualifying tier one capital” means an instrument issued by an entity pursuant to regulatory requirements applicable to the banking or insurance sector that is convertible to equity or written down if a pre-specified trigger event occurs and that has other features which are designed to aid loss absorbency in the event of a financial crisis.

156 Exclusion of international shipping profits

- (1) Where the underlying profits of a member of a multinational group for an accounting period reflect the inclusion of international shipping profits, the member's underlying profits for that period are to be adjusted to exclude those profits.
- (2) The member's international shipping profits for the period are the sum of the member's—
 - (a) core international shipping profits (see section 157), and
 - (b) ancillary international shipping profits (see section 158).
- (3) Subsection (1) does not apply if, in the period, the strategic and commercial management of any ship used in international shipping giving rise to those profits is not effectively carried on within the territory in which the member is located.
- (4) In this section, and in sections 157 and 158—
 - “international shipping” means the transportation of passengers or cargo by ship between different territories;
 - “transportation” does not include towing or dredging.

157 Core international shipping profits

- (1) A member's core international shipping profits for a period are the member's core international shipping revenue for the period less the member's core international shipping costs for the period.
- (2) A member's core international shipping revenue is all revenue earned by the member in consideration for the member's performance of core international shipping activities.
- (3) A member's core international shipping costs are the sum of—

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- (a) all costs incurred by the member that are directly attributable to the member's performance of core international shipping activities, and
 - (b) all costs incurred by the member that are indirectly attributable to the member's performance of core international shipping activities multiplied by the core international shipping factor.
- (4) The core international shipping factor is the member's core international shipping revenue divided by all revenue earned by the member from any source.
- (5) An activity is a core international shipping activity if it is of a type referred to in subsection (6).
- (6) The types of activity are—
- (a) carrying out international shipping, whether alone or in conjunction with another person;
 - (b) leasing as lessor a ship to be used for international shipping, where—
 - (i) the ship is leased fully equipped, crewed and supplied, or
 - (ii) the lessee is a member of the same multinational group and the purpose of the lease is to allow that member to carry out a core international shipping activity;
 - (c) arranging for another person to carry out international shipping under slot-chartering arrangements;
 - (d) the sale of a ship used in international shipping, where the ship has been held for use by the member for at least one year.

158 Ancillary international shipping profits

- (1) A member's ancillary international shipping profits for a period are the member's ancillary international shipping revenue for the period, less—
- (a) the member's ancillary international shipping costs for the period, and
 - (b) the member's ancillary international shipping profit cap adjustment for the period.
- (2) A member's ancillary international shipping revenue is all revenue earned by the member in consideration for the member's performance of ancillary international shipping activities.
- (3) A member's ancillary international shipping costs are the sum of—
- (a) all costs incurred by the member that are directly attributable to the member's performance of ancillary international shipping activities, and
 - (b) all costs incurred by the member that are indirectly attributable to the member's performance of ancillary international shipping activities multiplied by the ancillary international shipping factor.
- (4) The ancillary international shipping factor is the ancillary international shipping revenue divided by all revenue earned by the member from any source.
- (5) An activity is an ancillary international shipping activity if—
- (a) it is of a type referred to in subsection (6), and
 - (b) it is performed primarily in connection with international shipping.
- (6) The types of activity are—
- (a) leasing as lessor a ship to be used for international shipping, where—

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- (i) the ship is not leased fully equipped, crewed and supplied,
 - (ii) the lessee is a third party, and
 - (iii) the lease has not been in effect for a period exceeding three years, or entered into on terms that would result in the lease being in effect for such a period;
 - (b) selling tickets for a domestic leg of an international voyage carried out by a third party;
 - (c) leasing as lessor a container of a kind used for international shipping;
 - (d) storing such a container for a short period, including by leasing as lessor space for the storage of such a container by another person;
 - (e) providing support services (see subsection (7)(e)) to persons engaged in international shipping;
 - (f) holding assets necessary for the member to carry out a core international shipping activity;
 - (g) the disposal of emissions allowances it is necessary for the member to hold in order to carry out international shipping.
- (7) For the purposes of subsection (6)—
- (a) “third party”, in relation to a member of a multinational group, means a person that is not—
 - (i) the member, or
 - (ii) a member of the same multinational group;
 - (b) “domestic leg of an international voyage” means the transportation of passengers or cargo by ship between two locations in a single territory in circumstances where the ship’s overall voyage has proceeded from or will continue to a different territory;
 - (c) a lease of a ship is in effect for the period in which the practical effect of that lease and any associated arrangements (including any other lease) is that a person is in the position of a lessee of the ship, whether or not the lease or any other document expressly provides that the person is a lessee of the ship for the whole of that period;
 - (d) “lessee”, in relation to a ship, means the person referred to in paragraph (c);
 - (e) “support services” means engineering, maintenance, cargo handling, catering and customer relations services.
- (8) The member’s ancillary international shipping profit cap adjustment is to be calculated by taking the following steps—
- Step 1*
Determine the “cap threshold” in accordance with Steps 2 to 5.
- Step 2*
Calculate the core international shipping profits for each member of the group in the territory.
- Step 3*
Add together the amounts calculated at Step 2.
- Step 4*
If the result of Step 3 is nil or less, the cap threshold is nil. Otherwise, proceed to Step 5.
- Step 5*
Divide the result of Step 3 by two. This is the cap threshold.

Changes to legislation: *There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2023. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)*

Step 6

Calculate the ancillary international shipping profits for each member of the group in the territory (ignoring the requirement to subtract the ancillary international shipping profit cap adjustment).

Step 7

Add together the amounts calculated at Step 6.

Step 8

Subtract the cap threshold from the result of Step 7. If the result is nil or less, the member's ancillary international shipping profit cap adjustment is nil. Otherwise, proceed to Step 9.

Step 9

If the ancillary international shipping profits for the member calculated at Step 6 are nil or less, the member's ancillary international shipping profit cap adjustment is nil. Otherwise, proceed to Step 10.

Step 10

Add together any positive ancillary international shipping profits calculated at Step 6.

Step 11

Divide the ancillary international shipping profits for the member calculated at Step 6 by the result of Step 10.

Step 12

Multiply the result of Step 8 by the result of Step 11. This is the member's ancillary international shipping profit cap adjustment.

Changes to legislation:

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance (No. 2) Act 2023. Any changes that have already been made by the team appear in the content and are referenced with annotations.

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Changes and effects yet to be applied to :

- s. 148 heading word substituted by 2024 c. 3 Sch. 12 para. 8(2)(a)

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 131(2)(3) substituted for s. 131(2) by 2024 c. 3 Sch. 12 para. 5(3)
- s. 147A inserted by 2024 c. 3 Sch. 12 para. 8(1)
- s. 148A-148C inserted by 2024 c. 3 Sch. 12 para. 8(3)
- s. 150(6A) inserted by 2024 c. 3 Sch. 12 para. 50(5)(b)
- s. 151(1)(c) and word inserted by 2024 c. 3 Sch. 12 para. 9(2)(d)
- s. 151(1)(aa) inserted by 2024 c. 3 Sch. 12 para. 9(2)(c)
- s. 151(6A) inserted by 2024 c. 3 Sch. 12 para. 9(4)
- s. 151(8) inserted by 2024 c. 3 Sch. 12 para. 9(6)
- s. 159(1)(a)(b) substituted for words by 2024 c. 3 Sch. 12 para. 12(2)
- s. 159(2)(a)(b) substituted for words by 2024 c. 3 Sch. 12 para. 12(3)
- s. 159(3)(a)(b) substituted for words by 2024 c. 3 Sch. 12 para. 12(4)
- s. 159(4) inserted by 2024 c. 3 Sch. 12 para. 12(5)
- s. 165(2)(a)(i)(ii) s. 165(2)(a)(b) become s. 165(2)(a)(i)(ii) by 2024 c. 3 Sch. 12 para. 50(6)(b)
- s. 168(12) inserted by 2024 c. 3 Sch. 12 para. 14(8)
- s. 170(2A) inserted by 2024 c. 3 Sch. 12 para. 14(9)(b)
- s. 176A-176C and cross-heading inserted by 2024 c. 3 Sch. 12 para. 8(6)
- s. 176D-176F and cross-heading inserted by 2024 c. 3 Sch. 12 para. 16(1)
- s. 178(1A)(1B) inserted by 2024 c. 3 Sch. 12 para. 17(4)
- s. 178(5)(6) inserted by 2024 c. 3 Sch. 12 para. 17(6)
- s. 179(1A) inserted by 2024 c. 3 Sch. 12 para. 17(7)(a)
- s. 179(3A)(3B) inserted by 2024 c. 3 Sch. 12 para. 17(7)(b)
- s. 180(8)(b)(ii)(iia) substituted for s. 180(8)(b)(ii) by 2024 c. 3 Sch. 12 para. 19(4)
- s. 183A inserted by 2024 c. 3 Sch. 12 para. 20(5)
- s. 195(7A) inserted by 2024 c. 3 Sch. 12 para. 25(1)
- s. 196(1)(e) and words inserted by 2024 c. 3 Sch. 12 para. 22(1)(b)
- s. 196(1A) inserted by 2024 c. 3 Sch. 12 para. 21(1)(b)
- s. 197(4)(d)(e) inserted by 2024 c. 3 Sch. 12 para. 23(b)
- s. 197(5)(c) and word inserted by 2024 c. 3 Sch. 12 para. 22(2)(e)
- s. 197(6A) inserted by 2024 c. 3 Sch. 12 para. 21(2)
- s. 197(7A) inserted by 2024 c. 3 Sch. 12 para. 24
- s. 197A inserted by 2024 c. 3 Sch. 12 para. 25(2)
- s. 198A inserted by 2024 c. 3 Sch. 12 para. 26
- s. 211(1)-(1C) substituted for s. 211(1) by 2024 c. 3 Sch. 12 para. 27(a)
- s. 213(6A) inserted by 2024 c. 3 Sch. 12 para. 28
- s. 232(3A) inserted by 2024 c. 3 Sch. 12 para. 4(6)
- s. 232A inserted by 2024 c. 3 Sch. 12 para. 2(2)
- s. 236(2A) inserted by 2024 c. 3 Sch. 12 para. 31(3)
- s. 251A inserted by 2024 c. 3 Sch. 12 para. 29(1)
- s. 253(2)(b)(va) inserted by 2024 c. 3 Sch. 12 para. 56(10)(c)(iii)
- s. 255(2A) inserted by 2024 c. 3 Sch. 12 para. 34(1)(a)
- s. 255(4)-(6) inserted by 2024 c. 3 Sch. 12 para. 34(1)(c)
- s. 256A inserted by 2024 c. 3 Sch. 12 para. 35(1)

- s. 262(1A)-(1D) inserted by 2024 c. 3 Sch. 12 para. 36
- s. 267(3A) inserted by 2024 c. 3 Sch. 12 para. 42(1)(a)
- s. 267(3B)-(3D) inserted by 2024 c. 3 Sch. 12 para. 43(1)(b)
- s. 267A inserted by 2024 c. 3 Sch. 12 para. 42(2)
- s. 268A inserted by 2024 c. 3 Sch. 12 para. 2(4)
- s. 272(8)(da) inserted by 2024 c. 3 Sch. 12 para. 44(1)
- s. 272(9)-(11) inserted by 2024 c. 3 Sch. 12 para. 43(3)(b)
- s. 272A inserted by 2024 c. 3 Sch. 12 para. 42(3)
- s. 273(3)(ba) inserted by 2024 c. 3 Sch. 12 para. 44(2)
- s. 273(4)(pa) inserted by 2024 c. 3 Sch. 12 para. 57(3)(c)
- s. 273A273B inserted by 2024 c. 3 Sch. 12 para. 45(1)
- s. 273C inserted by 2024 c. 3 Sch. 12 para. 46
- s. 276(c)(iiia) inserted by 2024 c. 3 Sch. 12 para. 45(2)(b)
- s. 276(aa) inserted by 2024 c. 3 Sch. 12 para. 45(2)(a)
- s. 311A inserted by 2024 c. 3 s. 21(3)
- Sch. 14 para. 37A37B and cross-heading inserted by 2024 c. 3 Sch. 12 para. 2(6)(b)
- Sch. 14 para. 39(1)(aa) inserted by 2024 c. 3 Sch. 12 para. 2(6)(c)(ii)
- Sch. 14 para. 39(2)(aa) inserted by 2024 c. 3 Sch. 12 para. 2(6)(c)(iii)
- Sch. 14 para. 33A inserted by 2024 c. 3 Sch. 12 para. 37(3)
- Sch. 14 para. 6(1A) inserted by 2024 c. 3 Sch. 12 para. 58(1)(a)
- Sch. 14 para. 34(2A) inserted by 2024 c. 3 Sch. 12 para. 58(1)(b)(ii)
- Sch. 14 para. 3(3)-(5) substituted for Sch. 14 para. 3(3) by 2024 c. 3 Sch. 12 para. 2(6)(a)(iii)
- Sch. 15 para. 2(1)(za) inserted by 2024 c. 3 Sch. 12 para. 16(2)
- Sch. 15 para. 2(1)(k) inserted by 2024 c. 3 Sch. 12 para. 40(2)
- Sch. 15 para. 2(1)(l) inserted by 2024 c. 3 Sch. 12 para. 41(4)
- Sch. 15 para. 1(1)(aa) inserted by 2024 c. 3 Sch. 12 para. 58(2)(a)
- Sch. 15 para. 2(1)(ea) inserted by 2024 c. 3 Sch. 12 para. 58(2)(b)(i)
- Sch. 15 para. 2(1)(fa) inserted by 2024 c. 3 Sch. 12 para. 58(2)(b)(ii)
- Sch. 16 para. 10(1) Sch. 16 para. 10 renumbered as Sch. 16 para. 10(1) by 2024 c. 3 Sch. 12 para. 58(3)(a)
- Sch. 16 para. 2(11)(b) inserted by 2024 c. 3 Sch. 12 para. 34(2)(d)(ii)
- Sch. 16 para. 2(3A) inserted by 2024 c. 3 Sch. 12 para. 38(3)
- Sch. 16 para. 2(12)(13) inserted by 2024 c. 3 Sch. 12 para. 38(8)
- Sch. 16 para. 4(3)(d) and word inserted by 2024 c. 3 Sch. 12 para. 39(3)(a)(ii)
- Sch. 16 Pt. 3 inserted by 2024 c. 3 Sch. 12 para. 40(1)
- Sch. 16 para. 10(2)(3) inserted by 2024 c. 3 Sch. 12 para. 58(3)(d)
- Sch. 16 para. 2(1)(b)(ba) substituted for Sch. 16 para. 2(1)(b) by 2024 c. 3 Sch. 12 para. 34(2)(a)
- Sch. 16 para. 3(1)(1A) substituted for Sch. 16 para. 3(1) by 2024 c. 3 Sch. 12 para. 39(2)
- Sch. 16 para. 3(7)-(9) substituted for Sch. 16 para. 3(7)(8) by 2024 c. 3 Sch. 12 para. 29(2)
- Sch. 16 para. 10(1)(a) word substituted by 2024 c. 3 Sch. 12 para. 58(3)(c)
- Sch. 16 para. 10(1) words inserted by 2024 c. 3 Sch. 12 para. 58(3)(b)(ii)
- Sch. 16 para. 10(1) words substituted by 2024 c. 3 Sch. 12 para. 58(3)(b)(i)
- Sch. 16A inserted by 2024 c. 3 Sch. 12 para. 41(1)