



Taxation (International and Other Provisions) Act 2010

2010 CHAPTER 8

[^{F1}PART 10]

[^{F1}CORPORATE INTEREST RESTRICTION]

[^{F1}CHAPTER 11

INTERPRETATION ETC

Textual Amendments

- F1** Pt. 10: the existing Pt. 10 renumbered as Pt. 11 (except for ss. 375, 376 which are repealed), the existing ss. 372-374, 377-382 renumbered as ss. 499-507 and a new Pt. 10 (ss. 372-498) inserted (with effect in accordance with Sch. 5 para. 25(1)-(3) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), Sch. 5 para. 1, **10(1)(2)(a)(3)** (with Sch. 5 paras. 27, 32-34)

Related parties

462 Expressions relating to “related parties”: introduction

- (1) Section 463 sets out the circumstances in which a person is a related party of another person for the purposes of this Part.
- (2) That section—
 - (a) applies generally in relation to any amount, and
 - (b) is supplemented by sections 464 and 465 (which contain provisions that have effect for the purposes of that section).

Status: Point in time view as at 12/02/2019.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

- (3) Sections 466 and 467 make provision for treating persons as if they were related parties of each other but only in relation to certain matters.
- (4) Sections 468 to 472—
 - (a) make provision for treating persons as if they were not related parties of each other but only in relation to certain matters, and
 - (b) take priority over sections 466 and 467.

463 Whether a person is generally a “related party” of another

- (1) For the purposes of this Part a person (“A”) is a “related party” of another person (“B”)—
 - (a) throughout any period for which A and B are consolidated for accounting purposes,
 - (b) on any day on which the participation condition is met in relation to them, or
 - (c) on any day on which the 25% investment condition is met in relation to them.
- (2) A and B are consolidated for accounting purposes for a period if—
 - (a) their financial results for a period are required to be comprised in group accounts,
 - (b) their financial results for the period would be required to be comprised in group accounts but for the application of an exemption, or
 - (c) their financial results for a period are in fact comprised in group accounts.
- (3) In subsection (2) “group accounts” means accounts prepared under—
 - (a) section 399 of the Companies Act 2006, or
 - (b) any corresponding provision of the law of a territory outside the United Kingdom.
- (4) The participation condition is met in relation to A and B (“the relevant parties”) on a day if, within the period of 6 months beginning or ending with that day—
 - (a) one of the relevant parties directly or indirectly participates in the management, control or capital of the other, or
 - (b) the same person or persons directly or indirectly participate in the management, control or capital of each of the relevant parties.
- (5) For the interpretation of subsection (4), see sections 157(1), 158(4), 159(1) and 160(1) (which have the effect that references in that subsection to direct or indirect participation are to be read in accordance with provisions of Chapter 2 of Part 4).
- (6) If one of the relevant parties is a securitisation company within the meaning of Chapter 4 of Part 13 of CTA 2010, the relevant parties are not to be regarded as related parties of each other as a result of subsection (4) merely by reference to the fact that—
 - (a) the securitisation company is held by a trustee of a settlement, and
 - (b) the other relevant party is a settlor in relation to that settlement.
- (7) The 25% investment condition is met in relation to A and B if—
 - (a) one of them has a 25% investment in the other, or
 - (b) a third person has a 25% investment in each of them.
- (8) Sections 464 and 465 apply for the purpose of determining whether a person has a “25% investment” in another person.

Status: Point in time view as at 12/02/2019.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

464 Meaning of “25% investment”

- (1) A person (“P”) has a 25% investment in another person (“C”) if—
 - (a) P possesses or is entitled to acquire 25% or more of the voting power in C,
 - (b) in the event of a disposal of the whole of the equity in C, P would receive 25% or more of the proceeds,
 - (c) in the event that the income in respect of the equity in C were distributed among the equity holders in C, P would receive 25% or more of the amount so distributed, or
 - (d) in the event of a winding-up of C or in any other circumstances, P would receive 25% or more of C's assets which would then be available for distribution among the equity holders in C in respect of the equity in C.
- (2) In this section references to the equity in C are to—
 - (a) the shares in C other than restricted preference shares, or
 - (b) loans to C other than normal commercial loans.
- (3) For this purpose “shares in C” includes—
 - (a) stock, and
 - (b) any other interests of members in C.
- (4) For the purposes of this section a person is an equity holder in C if the person possesses any of the equity in C.
- (5) For the purposes of this section—

“normal commercial loan” means a loan which is a normal commercial loan for the purposes of section 158(1)(b) or 159(4)(b) of CTA 2010, and

“restricted preference shares” means shares which are restricted preference shares for the purposes of section 160 of CTA 2010.
- (6) In applying for the purposes of this section the definitions of “normal commercial loan” and “restricted preference shares” in a case where—
 - (a) C is not a company, or
 - (b) C is a company which does not have share capital,sections 160(2) to (7) and 161 to 164 of CTA 2010 (and any other relevant provisions of that Act) have effect with the necessary modifications.
- (7) In this section references to a person receiving any proceeds, amount or assets include—
 - (a) the direct or indirect receipt of the proceeds, amount or assets, and
 - (b) the direct or indirect application of the proceeds, amount or assets for the person's benefit,and it does not matter whether the receipt or application is at the time of the disposal, distribution, winding-up or other circumstances or at a later time.
- (8) If—
 - (a) there is a direct receipt or direct application of any proceeds, amount or assets by or for the benefit of a person (“A”), and
 - (b) another person (“B”) directly or indirectly owns a percentage of the equity in A,there is, for the purposes of subsection (7), an indirect receipt or indirect application of that percentage of the proceeds, amount or assets by or for the benefit of B.

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- (9) For this purpose the percentage of the equity in A directly or indirectly owned by B is to be determined by applying the rules in sections 1155 to 1157 of CTA 2010 with such modifications (if any) as may be necessary.
- (10) Subsection (7) is not to result in a person being regarded as having a 25% investment in another person merely as a result of their being parties to a normal commercial loan.
- (11) Any reference in this section, in the case of a person who is a member of a partnership, to the proceeds, amount or assets of the person includes the person's share of the proceeds, amount or assets of the partnership (apportioning those things between the partners on a just and reasonable basis).

Modifications etc. (not altering text)

- C1** S. 464(2)-(11) applied by 2005 c. 5, s. 608U(3)(4) (as inserted (with effect in accordance with Sch. 3 para. 7 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 3 para. 4](#))

465 Attribution of rights and interests

- (1) In determining for the purposes of section 464 the investment that a person (“P”) has in another person, P is to be taken to have all of the rights and interests of—
- (a) any person connected with P,
 - (b) any person who is a member of a partnership, or is connected with a person who is member of a partnership, of which P is a member, or
 - (c) any person who is a member of a partnership, or is connected with a person who is a member of a partnership, of which a person connected with P is a member.
- (2) For the purposes of subsection (1)—
- (a) section 1122 of CTA 2010 (“connected” persons) applies but as if subsections (7) and (8) of that section were omitted, but
 - (b) a person is not to be regarded as connected with another person merely as a result of their being parties to a loan that is a normal commercial loan for the purposes of section 464.
- (3) In determining for the purposes of section 464 the investment that a person (“P”) has in another person (“U”), P is to be taken to have all of the rights and interests of a third person (“T”) with whom P acts together in relation to U.
- (4) For this purpose P “acts together” with T in relation to U if (and only if)—
- (a) for the purpose of influencing the conduct of U's affairs—
 - (i) P is able to secure that T acts in accordance with P's wishes (or vice versa), or
 - (ii) T can reasonably be expected to act, or typically acts, in accordance with P's wishes (or vice versa),
 - (b) P and T are party to an arrangement that it is reasonable to conclude is designed to affect the value of any equity in U possessed by T, or
 - (c) the same person manages some or all of any equity in U possessed by P and T.

In paragraphs (b) and (c) references to equity in U are to be read in accordance with section 464.

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- (5) But P does not “act together” with T in relation to U under subsection (4)(c) if—
- (a) the managing person does so as the operator of different collective investment schemes, and
 - (b) the management of the schemes is not coordinated for the purpose of influencing the conduct of U's affairs.
- (6) For this purpose “collective investment scheme” and “operator” have the same meaning as in Part 17 of the Financial Services and Markets Act 2000 (see sections 235 and 237).
- (7) In determining for the purposes of section 464 the investment that a person (“P”) has in another person (“U”), P is to be taken to have all of the rights and interests of one or more third persons with whom P has entered into a qualifying arrangement in relation to U.
- (8) For this purpose P has entered into a qualifying arrangement with one or more third persons in relation to U if they are parties to an arrangement concerning U as a result of which, by reference to shares held, or to be held, by any one or more of them in U, they can reasonably be expected to act together—
- (a) so as to exert greater influence in relation to U than any one of them would be able to exert if acting alone, or
 - (b) otherwise so as to be able to achieve an outcome in relation to U that, if attempted by any one of them acting alone, would be significantly more difficult to achieve.
- (9) For this purpose the reference to shares in U includes shares in U that may be held as a result of the exercise of any right or power and includes rights or interests in U that are of a similar character to shares.
- (10) In this section “arrangement” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

Modifications etc. (not altering text)

C2 S. 465 applied by 2005 c. 5, s. 608U(3)(4) (as inserted (with effect in accordance with Sch. 3 para. 7 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 3 para. 4](#))

466 Certain loan relationships etc to be treated as made between related parties

- (1) This section—
- (a) makes provision for treating a person (“D”) who is not a related party of another person (“C”) as if they were related parties of each other but only in respect of particular liabilities or transactions, and
 - (b) is expressed to apply in relation to loan relationships but also applies (with any necessary modifications) in relation to any other financial liability owed to, or any transaction with, C.
- (2) If at any time—
- (a) D is party to a loan relationship as debtor and C is party to the relationship as creditor, and

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- (b) another person (“G”) who is a related party of D provides a guarantee, indemnity or other financial assistance in respect of the liability of D that represents the loan relationship,

D and C are treated for the purposes of this Part as if, in relation to the loan relationship concerned (and anything done under or for the purposes of it), they were related parties of each other at that time.

- (3) Subsection (2) is subject to—

- (a) section 415 (qualifying net group-interest expense), and
- (b) section 438(3) (infrastructure: interest payable to third parties etc).

- (4) If at any time—

- (a) D is party to a loan relationship as debtor and C is party to the relationship as creditor, and
- (b) another person (“G”) who is a related party of D indirectly stands in the position of a creditor as respects the debt in question by reference to a series of loan relationships or other arrangements,

D and C are treated for the purposes of this Part as if, in relation to the loan relationship concerned (and anything done under or for the purposes of it), they were related parties of each other at that time.

- (5) For the purposes of this section “arrangements” include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

467 Holdings of debt and equity in same proportions

- (1) This section applies at any time where—

- (a) persons have lent money to another person (“U”),
- (b) the lenders also have shares or voting power in U,
- (c) the amounts each of the lenders has lent stand in the same, or substantially the same, proportion as the shares or voting power in U that each of them has, and
- (d) for the purposes of section 464 the lenders (taken together) have a 25% investment in U.

- (2) The lenders are treated for the purposes of this Part as if, in relation to the loans (and anything done under or for the purposes of them), they were related parties of U at that time (so far as that would not otherwise be the case).

- (3) If—

- (a) some or all of the rights under the loan are transferred, and
- (b) the transferred rights are held by, or for the benefit of, another person (“the transferee”) at any time,

the transferee is treated for the purposes of this Part as if, in relation to the loan (and anything done under or for the purposes of it), the transferee were a related party of U at that time (so far as that would not otherwise be the case).

- (4) This applies whether or not the transferee has any shares or voting power in U.

- (5) For the purposes of this section references to shares in U include shares in U that may be held as a result of the exercise of any right or power and include rights or interests in U that are of a similar character to shares.

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Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

- (6) This section applies (with any necessary modifications) in relation to any other financial liability owed to, or any transaction with, U as it applies to loans made to U.

468 Debts with same rights where unrelated parties hold more than 50%

- (1) This section applies if—
- (a) a person (“D”) is party to a loan relationship as debtor in a period of account of a worldwide group of which it is a member,
 - (b) a person (“C”) who is party to the loan relationship as creditor is a related party of D at any time in that period,
 - (c) there are persons (“the relevant creditors”) other than C who are parties to the loan relationship, or are parties to other loan relationships entered into at the same time, as creditors but who are not related parties of D at any time in that period,
 - (d) at all times in that period the rights of the relevant creditors are rights in relation to at least 50% of the total amount of the money debt or debts in question, and
 - (e) at all times in that period C and the relevant creditors have the same rights in relation to the money debt or debts in question.
- (2) D and C are treated for the purposes of this Part as if, in relation to the loan relationship concerned (and anything done under or for the purposes of it), they were not related parties of each other at any time in that period.
- (3) Persons are not to be regarded as having the same rights in relation to a money debt or debts at any time if—
- (a) the terms or conditions on which any of the money is lent and which are in force at that time make different provision in relation to different persons or have, or are capable of having, a different effect in relation to different persons (whether at that or any subsequent time),
 - (b) arrangements are in place at that time the effect of which is that, at that or any subsequent time, the rights of some persons in relation to any of the debts differ, or will or may differ, from the rights of others in relation to any of the debts, or
 - (c) any other circumstances exist at that time as a result of which the rights of some persons in relation to any of the debts cannot reasonably be regarded as being, in substance, the same rights as others in relation any of the debts at that or any subsequent time.
- (4) For the purposes of this section—
- “arrangements” include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable),
 - “different persons” includes persons of a different class or description, and
 - “rights” includes powers.

469 Debt restructuring

- (1) This section—
- (a) makes provision for treating a person (“D”) who is a related party of another person (“C”) as if they were not related parties of each other but only in respect of particular liabilities or transactions, and

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- (b) is expressed to apply in relation to loan relationships but also applies (with any necessary modifications) in relation to any other financial liability owed to, or any transaction with, C.
- (2) If—
- (a) D is party to a loan relationship as debtor and C is party to the loan relationship as creditor,
 - (b) D subsequently becomes a related party of C in consequence of a relevant release of debt, and
 - (c) before D became a related party of C in consequence of the release none of the parties to the loan relationship had been related parties of each other,
- D and C are treated for the purposes of this Part as if, in relation to the loan relationship (and anything done under or for the purposes of it), they were not related parties of each other at times on or after the release.
- (3) There is a “relevant release of debt” at any time for the purposes of this section if—
- (a) a liability to pay an amount under a person's debtor relationship is released under the arrangements,
 - (b) that person is D or a person who is a related party of D at that time, and
 - (c) immediately before the release, it is reasonable to conclude that, without the release and any arrangements of which the release forms part, there would be a material risk that, at some time within the next 12 months, D or the related party would be unable to pay its debts.
- (4) For the purposes of this section “debtor relationship” has the meaning given by section 302(6) of CTA 2009 (reading the references in that subsection to a company as references to a person).

470 Ordinary independent financing arrangements by banks and others

- (1) This section applies where—
- (a) at any time, a person (“C”) is party to a loan relationship as creditor and the party to the loan relationship as debtor (“D”) is a related party of C as a result of any circumstances, and
 - (b) the loan relationship is not one to which C is a party at that time directly or indirectly in consequence of, or otherwise in connection with, the existence of any of those circumstances.
- (2) C and D are treated for the purposes of this Part as if, in relation to the loan relationship (and anything done under or for the purposes of it), they were not related parties of each other at that time.

471 Loans made by relevant public bodies

- (1) This section applies at any time where—
- (a) a relevant public body (“B”) lends money to a person (“P”),
 - (b) B is a related party of P, and
 - (c) the realising of a profit is merely incidental to the making of the loan.
- (2) B and P are treated for the purposes of this Part as if, in relation to the loan (and anything done under or for the purposes of it), they were not related parties of each other at that time.

Status: Point in time view as at 12/02/2019.

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472 Finance leases granted before 20 March 2017

- (1) This section applies at any time where an asset is leased by a person (“A”) to another (“B”) under a lease which is granted before 20 March 2017 and which, in the case of B, is a finance lease.
- (2) A and B are treated for the purposes of this Part as if, in relation to the lease (and anything done under or for the purposes of it), they were not related parties of each other at that time.

Determining the worldwide group

473 Meaning of “a worldwide group”, “ultimate parent” etc

- (1) In this Part “a worldwide group” means—
 - (a) any entity which—
 - (i) is a relevant entity (see section 474), and
 - (ii) meets the first or second non-consolidation condition (see subsections (2) and (3)), and
 - (b) each consolidated subsidiary (if any) of the entity mentioned in paragraph (a).
- (2) The first non-consolidation condition is that the entity—
 - (a) is a member of an IAS group, and
 - (b) is not a consolidated subsidiary of an entity that—
 - (i) is a relevant entity, and
 - (ii) itself meets the first non-consolidation condition.
- (3) The second non-consolidation condition is that the entity is not a member of an IAS group.
- (4) In this Part—
 - (a) references to “a member” of a worldwide group are to an entity mentioned in subsection (1)(a) or (b);
 - (b) references to “the ultimate parent” of a worldwide group are to the entity mentioned in subsection (1)(a);
 - (c) references to “a single-company worldwide group” are to a worldwide group whose only member is its ultimate parent;
 - (d) references to “a multi-company worldwide group” are to a worldwide group with two or more members.
- (5) In this section “IAS group” means a group within the meaning given by international accounting standards.

474 Interpretation of section 473: “relevant entity”

- (1) In section 473 “relevant entity” means—
 - (a) a company, or
 - (b) an entity the shares or other interests in which are listed on a recognised stock exchange and are sufficiently widely held.
- (2) Shares or other interests in an entity are “sufficiently widely held” if no participator in the entity holds more than 10% by value of all the shares or other interests in the entity.

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Section 454 of CTA 2010 (meaning of participator) applies for the purposes of this subsection.

- (3) The following are not relevant entities—
- (a) the Crown,
 - (b) a Minister of the Crown,
 - (c) a government department,
 - (d) a Northern Ireland department, or
 - (e) a foreign sovereign power.

475 Meaning of “non-consolidated subsidiary” and “consolidated subsidiary”

- (1) An entity (“X”) is a “non-consolidated subsidiary” of another entity (“Y”) at any time (“the relevant time”) if—
- (a) X is a subsidiary of Y at the relevant time, and
 - (b) if Y were required at the relevant time to measure its investment in X, it would be required to do so using fair value accounting [^{F2}or on the basis that X were an asset held for sale or held for distribution to owners].
- (2) An entity (“X”) is a “consolidated subsidiary” of another entity (“Y”) at any time if, at that time, X is a subsidiary, but not a non-consolidated subsidiary, of Y.
- [^{F3}(3) In this section each of the following expressions has the meaning given by international accounting standards—
- “held for distribution to owners”
- “held for sale”
- “subsidiary”.]
- (4) For the purposes of this section, assume that all entities are subject to international accounting standards.
- (5) This section has effect for the purposes of this Part.

Textual Amendments

- F2** Words in s. 475(1)(b) inserted (with effect in accordance with Sch. 8 para. 22 of the amending Act) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 para. 13\(2\)](#)
- F3** S. 475(3) substituted (with effect in accordance with Sch. 8 para. 22 of the amending Act) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 para. 13\(3\)](#)

476 Continuity of identity of a worldwide group through time

- (1) This section applies for the purpose of determining whether a group of entities that constitutes a worldwide group at any time (“Time 2”) is the same worldwide group as a group of entities that constitutes a worldwide group at an earlier time (“Time 1”).
- (2) The group at Time 2 is the same worldwide group as the group at Time 1 if and only if the entity that is the ultimate parent of the group at Time 2—
- (a) was the ultimate parent of the group at Time 1, and
 - (b) was the ultimate parent of a worldwide group at all times between Time 1 and Time 2.

Status: Point in time view as at 12/02/2019.

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477 Treatment of stapled entities

- (1) This section applies where two or more entities—
 - (a) would, apart from this section, each be the ultimate parent of a worldwide group, and
 - (b) are stapled to each other.
- (2) This Part has effect as if—
 - (a) the entities were consolidated subsidiaries of another entity (the “deemed parent”), and
 - (b) the deemed parent fell within section 473(1)(a) (conditions for being the ultimate parent of a worldwide group).
- (3) For the purpose of this section an entity (“entity A”) is “stapled” to another entity (“entity B”) if, in consequence of the nature of the rights attaching to the shares or other interests in entity A (including any terms or conditions attaching to the right to transfer the interests), it is necessary or advantageous for a person who has, disposes of or acquires shares or other interests in entity A also to have, dispose of or acquire shares or other interests in entity B.

478 Treatment of business combinations

- (1) This section applies where two entities—
 - (a) would, apart from this section, each be the ultimate parent of a worldwide group, and
 - (b) are treated under international accounting standards as a single economic entity by reason of being a business combination achieved by contract.
- (2) This Part has effect as if—
 - (a) the two entities were consolidated subsidiaries of another entity (the “deemed parent”), and
 - (b) the deemed parent fell within section 473(1)(a) (conditions for being the ultimate parent of a worldwide group).
- (3) In this section “business combination” has the meaning given by international accounting standards.

Financial statements and periods of account

479 “Financial statements” of a worldwide group

- (1) References in this Part to “financial statements” of a worldwide group for a period are (subject to subsection (2)) to consolidated financial statements of the worldwide group's ultimate parent and its subsidiaries in respect of the period.
- (2) Where the worldwide group is at all times during the period a single-company worldwide group, the references are to financial statements of the ultimate parent in respect of the period.
- (3) The basic rule is that the references mentioned in subsections (1) and (2) are to financial statements that are drawn up by or on behalf of the ultimate parent.
- (4) But see—

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- (a) section 481 for provision under which, in specified circumstances, financial statements of a worldwide group are treated as having been drawn up in accordance with different accounting standards from those in accordance with which they are drawn up by or on behalf of the ultimate parent;
 - (b) section 482 for provision under which, in specified circumstances, financial statements of a worldwide group are treated as consolidating different subsidiaries from those consolidated in financial statements drawn up by or on behalf of the ultimate parent;
 - (c) section 483 for provision under which, in specified circumstances, financial statements of a worldwide group are treated as having been drawn up where the ultimate parent has drawn up consolidated financial statements covering more than one worldwide group;
 - (d) sections 484 to 486 for provision under which, where financial statements of a worldwide group are not drawn up by or on behalf of the ultimate parent, financial statements of the group are treated as having been drawn up.
- (5) See also section 487 (under which financial statements drawn up by or on behalf of an entity, but for too long a period or too late, are ignored for the purposes of this Part).

480 “Period of account” of worldwide group

References in this Part to a “period of account” of a worldwide group are to—

- (a) a period in respect of which financial statements of the group are drawn up by or on behalf of the ultimate parent, or
- (b) a period in respect of which financial statements of the group are treated as drawn up for the purposes of this section (whether under any of sections 481 to 485 or under any other enactment).

481 Actual financial statements not drawn up on acceptable principles

- (1) This section applies where financial statements of a worldwide group for a period drawn up by or on behalf of the ultimate parent are not drawn up on acceptable principles.
- (2) For the purposes of this Part (apart from this section)—
 - (a) the financial statements mentioned in subsection (1) are to be ignored, and
 - (b) IAS financial statements of the worldwide group are treated as having been drawn up in respect of the period.
- (3) For the purposes of this Chapter financial statements are “drawn up on acceptable principles” only if condition A, B, C or D is met.
- (4) Condition A is that the financial statements are IAS financial statements.
- (5) Condition B is that the amounts recognised in the financial statements are not materially different from those that would be recognised in IAS financial statements of the worldwide group, if such statements were drawn up.
- (6) Condition C is that the financial statements are drawn up in accordance with UK generally accepted accounting practice.
- (7) Condition D is that the financial statements are drawn up in accordance with generally accepted accounting principles and practice of one of the following territories—

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- (a) Canada;
 - (b) China;
 - (c) India;
 - (d) Japan;
 - (e) South Korea;
 - (f) the United States of America.
- (8) The Commissioners may by regulations amend this section so as to alter the circumstances in which financial statements are “drawn up on acceptable principles” for the purposes of this Chapter.

482 Actual financial statements drawn up on acceptable principles but consolidating wrong subsidiaries

- (1) This section applies where financial statements of a worldwide group for a period drawn up by or on behalf of the ultimate parent are drawn up on acceptable principles but—
- (a) do not consolidate one or more entities that are IAS subsidiaries, or
 - (b) consolidate one or more entities that are not IAS subsidiaries.
- (2) In this section “IAS subsidiary”, in relation to a period, means an entity which would be required to be consolidated with those of the ultimate parent in IAS financial statements of the group for the period.
- (3) For the purposes of this Part (apart from this section)—
- (a) the financial statements mentioned in subsection (1) are to be ignored, and
 - (b) consolidated financial statements of the ultimate parent and its IAS subsidiaries are treated as having been drawn up in respect of the period.
- (4) The financial statements treated by subsection (3)(b) as drawn up are treated as drawn up in accordance with the same accounting principles and practice as the financial statements mentioned in subsection (1).
- (5) In this section a reference to financial statements consolidating the results of an entity is to consolidating its results with those of the ultimate parent as the results of a single economic entity.

483 Actual financial statements covering more than one worldwide group

- (1) This section applies where—
- (a) consolidated financial statements of an entity and its subsidiaries are drawn up by or on behalf of the entity in respect of a period (“the actual period of account”), and
 - (b) the entity was the ultimate parent of a worldwide group for a part (but not all) of that period.
- (2) For the purposes of this Part (apart from this section)—
- (a) the financial statements mentioned in subsection (1)(a) are to be ignored, and
 - (b) consolidated financial statements of the entity and its IAS subsidiaries are treated as having been drawn up in respect of the part of the actual period of account mentioned in subsection (1)(b).

Status: Point in time view as at 12/02/2019.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

- (3) The financial statements treated by subsection (2)(b) as drawn up are treated as drawn up—
- (a) where the financial statements mentioned in subsection (1)(a) are drawn up on acceptable principles, in accordance with the same accounting principles and practice as those financial statements;
 - (b) otherwise, in accordance with international accounting standards.
- (4) In this section “IAS subsidiary” has the same meaning as in section 482.

484 No actual financial statements: ultimate parent draws up financial statements

- (1) Subsection (2) applies where—
- (a) financial statements of the ultimate parent of a worldwide group are drawn up by or on behalf of the ultimate parent in respect of a period (“the relevant period”),
 - (b) consolidated financial statements of the ultimate parent and its subsidiaries are not drawn up by or on behalf of the ultimate parent in respect of the relevant period or any part of it, and
 - (c) the group was, at any time during the relevant period, a multi-company worldwide group.
- (2) For the purposes of this Part (apart from this section) IAS financial statements of the worldwide group are treated as drawn up in respect of the relevant period.
- (3) The ultimate parent may elect that subsection (2) is not to apply in relation to financial statements of the ultimate parent.
- (4) An election under subsection (3)—
- (a) has effect in relation to financial statements in respect of periods ending on or after such date as is specified in the election, and
 - (b) is irrevocable.
- (5) The date specified in the election may not be before the day on which the election is made.

485 No actual financial statements: other cases

- (1) In this section “accounts-free period” means (subject to subsection (2)) any period—
- (a) which begins on or after 1 April 2017,
 - (b) throughout which a worldwide group exists, and
 - (c) in respect of no part of which are financial statements of the group—
 - (i) drawn up by or on behalf of the ultimate parent, or
 - (ii) treated as drawn up for the purposes of this section (whether under section 481, 482, 483 or 484 or any other enactment).
- (2) A period is not an “accounts-free period” if it forms part of an accounts-free period.
- (3) If an accounts-free period in relation to a worldwide group is 12 months or less, IAS financial statements of the worldwide group are treated for the purposes of this Part (apart from this section) as having been drawn up for the accounts-free period.

Status: Point in time view as at 12/02/2019.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

- (4) If an accounts-free period in relation to a worldwide group is more than 12 months, IAS financial statements of the worldwide group are treated for the purposes of this Part (apart from this section) as having been drawn up for each of the following periods—
- (a) the first period of 12 months falling within the accounts-free period;
 - (b) any subsequent period of 12 months falling within the accounts-free period;
 - (c) any period of less than 12 months which—
 - (i) begins immediately after the end of a period mentioned in paragraph (a) or (b), and
 - (ii) ends at the end of the accounts-free period.

486 Election altering period of account deemed under section 485

- (1) This section applies where, disregarding this section, IAS financial statements of a worldwide group would be treated under section 485(4)(a) or (b) as drawn up for a period (“the default period of account”) during an accounts-free period.
- (2) The ultimate parent of the group may make an election under this section in relation to the default period of account.
- (3) Where an election under this section is made, section 485 has effect as if subsection (4) (a) or (b) of that section—
- (a) did not treat IAS financial statements of the group as having been drawn up for the default period of account;
 - (b) instead, treated IAS financial statements of the group as having been drawn up for the period—
 - (i) beginning with the day on which the default period of account begins (“the start day”), and
 - (ii) ending with such day after the start day as is specified in the election (“the end day”).
- (4) The end day must—
- (a) fall within the accounts-free period, and
 - (b) not be later than the final day of the period of 18 months beginning with the start day.
- (5) An election under this section—
- (a) must be made before the end day, and
 - (b) is irrevocable.
- (6) The fact that the ultimate parent of a worldwide group makes an election under this section in relation to a default period of account (“the earlier elected period”) does not prevent it from making an election in relation to a later default period of account (“the later elected period”).
- (7) But where it does so, the end day in relation to the later elected period must be 3 years or more after the end day in relation to the earlier elected period.
- (8) Where this section modifies section 485(4)(a) or (b) so that it treats IAS financial statements of the group as having been drawn up for the period mentioned in subsection (3)(b) of this section (“the elected period”), section 485(4)(b) and (c) apply

Status: Point in time view as at 12/02/2019.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

in relation to any part of the accounts-free period following the end of the elected period.

(9) In this section “accounts-free period” has the same meaning as in section 485.

487 Actual financial statements ignored if for too long a period or too late

Financial statements drawn up by or on behalf of any entity are to be ignored for the purposes of this Part (apart from this section) if—

- (a) the period in respect of which they are drawn up is more than 18 months, or
- (b) they are drawn up after the end of the period of 30 months beginning with the beginning of the period in respect of which they are drawn up.

488 Meaning of “IAS financial statements”

- (1) References in this Part to “IAS financial statements” of a worldwide group for a period are (subject to subsection (2)) to consolidated financial statements of the worldwide group's ultimate parent and its subsidiaries, drawn up in respect of the period in accordance with international accounting standards.
- (2) If the worldwide group is at all times during the period a single-company worldwide group, the references are instead to financial statements of the ultimate parent, drawn up in respect of the period in accordance with international accounting standards.

489 References to amounts recognised in financial statements

- (1) References in this Part to an amount “recognised” in financial statements—
 - (a) include an amount comprised in an amount so recognised;
 - (b) are, where the amount is expressed in a currency other than sterling, to that amount translated into its sterling equivalent.
- (2) The exchange rate by reference to which an amount is to be translated under subsection (1)(b) is the average rate of exchange for the period of account, calculated from daily spot rates.
- (3) References in this Part to an amount recognised in financial statements “for a period” as an item of profit or loss include references to an amount that—
 - (a) was previously recognised as an item of other comprehensive income, and
 - (b) is transferred to become an item of profit or loss in determining the profit or loss for the period.

Other definitions

490 Meaning of “relevant accounting period”

For the purposes of this Part a “relevant accounting period” of a company, in relation to a period of account of a worldwide group, means any accounting period that falls wholly or partly within the period of account of the worldwide group.

491 Meaning of “relevant public body”

- (1) In this Part “relevant public body” means—

Status: Point in time view as at 12/02/2019.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

- (a) the Crown,
 - (b) a Minister of the Crown,
 - (c) a government department,
 - (d) a Northern Ireland department,
 - (e) a foreign sovereign power,
 - (f) a designated educational establishment (within the meaning given by section 106 of CTA 2009),
 - (g) a health service body (within the meaning given by section 986 of CTA 2010),
 - (h) a local authority or local authority association,
 - (i) any other body that acts under any enactment for public purposes and not for its own profit, or
 - (j) any wholly-owned subsidiary of any body falling within any of the above paragraphs of this subsection.
- (2) In this section “enactment” includes—
- (a) an enactment contained in subordinate legislation within the meaning of the Interpretation Act 1978,
 - (b) an enactment contained in, or in an instrument made under, an Act of the Scottish Parliament,
 - (c) an enactment contained in, or in an instrument made under, a Measure or Act of the National Assembly for Wales, and
 - (d) an enactment contained in, or in an instrument made under, Northern Ireland legislation.
- (3) The Commissioners may by regulations amend this section so as to alter the meaning of “relevant public body”.
- (4) The provision that may be made by the regulations does not include provision altering the meaning of “relevant public body” so that it includes a person who has no functions of a public nature.

492 Meaning of “UK group company”

In this Part “UK group company”, in relation to any time during a period of account of a worldwide group, means a company—

- (a) which is within the charge to corporation tax at that time, and
- (b) which is a member of the group at that time.

493 Embedded derivatives

Sections 415 and 585 of CTA 2009 (loan relationships with embedded derivatives) apply for the purposes of this Part of this Act.

494 Other interpretation

- (1) In this Part—
- “the Commissioners” means the Commissioners for Her Majesty’s Revenue and Customs;
 - “fair value accounting” means a basis of accounting under which—

Status: Point in time view as at 12/02/2019.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

- (a) assets and liabilities are measured in the company's balance sheet at their fair value, and
- (b) changes in the fair value of assets and liabilities are recognised as items of profit or loss;

“fair value” has the meaning it has for accounting purposes;

[^{F4}“finance lease”, in relation to a company or a worldwide group, a lease which—

- (a) in accordance with generally accepted accounting practice, falls (or would fall) to be treated, in the accounts of the company or the financial statements of the group, as a finance lease or loan, or
- (b) is a right-of-use lease that would fall to be treated in those accounts or financial statements as a finance lease if the company or group were required to determine for accounting purposes whether the lease falls to be so treated;]

“interest restriction return” means a return submitted under any provision of Schedule 7A;

[^{F5}“pension scheme” has the meaning given by section 150(1) of FA 2004;]

“reporting company” means a company which is for the time being appointed under any provision of Schedule 7A;

“the return period”, in relation to an interest restriction return of a worldwide group, means the period of account of the group to which the return relates;

[^{F6}“right-of-use lease” means a lease in respect of which, under generally accepted accounting practice—

- (a) a right-of-use asset falls (or would fall) at the commencement of the lease to be recognised for accounting purposes in the accounts of the lessee, or
- (b) a right-of-use asset would fall to be so recognised but for the lessee granting a sublease of the leased asset,

and, in determining whether a lease falls within paragraph (a) or (b) at any time in an accounting period, it is to be assumed that the accounting policy applied in drawing up the lessee's accounts for the period also applied at the commencement of the lease;]

“service concession arrangement” has the meaning given by international accounting standards;

“wholly-owned subsidiary” has the meaning given by section 1159(2) of the Companies Act 2006.

- (2) For the purposes of this Part a person who is not a company is regarded as being a party to a loan relationship if the person would be so regarded for the purposes of Part 5 of CTA 2009 if the person were a company.

Textual Amendments

- F4** Words in s. 494(1) substituted (with effect in accordance with Sch. 14 para. 6 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 14 para. 5(a)**
- F5** Words in s. 494(1) inserted (retrospectively) by Finance Act 2019 (c. 1), **Sch. 11 paras. 20, 24**
- F6** Words in s. 494(1) inserted (with effect in accordance with Sch. 14 para. 6 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 14 para. 5(b)**

Status: Point in time view as at 12/02/2019.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

Regulations

495 Financial statements: different treatment by group or members

- (1) The Commissioners may make regulations for the purpose of altering any calculation under Chapter 7 where—
 - (a) the financial statements of a worldwide group for a period include or omit an amount in respect of any matter, and
 - (b) any member of the group deals with that matter for tax or accounting purposes in a different way.
- (2) The regulations—
 - (a) may make provision subject to an election or other specified circumstances, and
 - (b) may make provision having effect in relation to any period beginning before the regulations are made if the period begins at some time in the calendar year in which the regulations are made.

496 Parties to capital market arrangements

- (1) The Commissioners may make regulations entitling—
 - (a) a UK group company which has a liability to corporation tax as a result of this Part and which is a party to a capital market arrangement, and
 - (b) another UK group company,to make a joint election transferring the liability to the other UK group company.
- (2) The regulations may include provision—
 - (a) specifying other conditions that must be met for an election to be made,
 - (b) requiring an election to be made on or before a particular time (for example, before the accounting period for which the liability arises),
 - (c) authorising or requiring an officer of Revenue and Customs (on the exercise of a discretion or otherwise) to accept or reject an election,
 - (d) authorising or requiring an officer of Revenue and Customs (on the exercise of a discretion or otherwise) to revoke an election previously in force and dealing with the effect of the revocation, and
 - (e) dealing with the effect of the transfer of the corporation tax liability on any other liabilities that relate to the transferred corporation tax liability.
- (3) In this section “capital market arrangement” has the same meaning as in section 72B(1) of the Insolvency Act 1986 (see paragraph 1 of Schedule 2A to that Act).

497 Change in accounting standards

- (1) The Treasury may by regulations amend this Part to take account of a change in the way in which amounts are, or may be, presented or disclosed in financial statements where the change results from the issue, revocation, amendment or recognition of, or withdrawal of recognition from, an accounting standard by an accounting body.
- (2) For this purpose—

“accounting standard” includes any statement of practice, guidance or other similar document, and

Status: Point in time view as at 12/02/2019.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11. (See end of Document for details)

“accounting body” means—

- (a) the International Accounting Standards Board (or successor body), or
- (b) the Accounting Standards Board (or successor body).

(3) The regulations—

- (a) may make provision subject to an election or other specified circumstances, and
- (b) may make provision having effect in relation to any period beginning before the regulations are made if the change mentioned in subsection (1) is relevant to that period.

(4) A statutory instrument containing regulations which are capable of increasing the liability of a company to corporation tax may not be made unless a draft of the instrument is laid before, and approved by a resolution of, the House of Commons.

498 Regulations

Regulations under this Part may—

- (a) make different provision for different cases or circumstances,
- (b) include supplementary, incidental and consequential provision, or
- (c) make transitional provision and savings.]

Status:

Point in time view as at 12/02/2019.

Changes to legislation:

There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 11.