

*These notes refer to the Finance Act 2015 (c.11)  
which received Royal Assent on 26 March 2015*

# **FINANCE ACT 2015**

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## **EXPLANATORY NOTES**

### **INTRODUCTION**

#### ***Section 80: Uk Company: Involvement of Entities Or Transactions Lacking Economic Substance***

##### **Summary**

1. This section sets out the first of two sets of conditions that can give rise to a charge on taxable diverted profits. This section applies to UK resident companies only.

##### **Details of the Section**

2. Subsection (1) sets out the conditions that give rise to taxable diverted profits where a UK resident company enters into transactions that lack economic substance or involve entities that lack such substance. The section does not apply if both the company and another person involved in the transactions are small or medium enterprises.
3. Subsection (2) makes clear that, for the purposes of considering whether the condition in subsection(1)(b) is met, where the UK resident company is a member of a partnership, transactions entered into between the partnership and another person are to be treated as if they were entered into between the UK resident company and that other person.

##### **Background Note**

4. The diverted profits tax is a new charge on diverted profits. The main objective is to counteract contrived arrangements used by large groups (typically multinational enterprises) that result in the erosion of the UK tax base.