

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

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 90: Section 86: Mismatch Condition is Met: Calculation of Profits by Reference to the Actual Provision

Summary

1. This section explains how to calculate the taxable diverted profits for an accounting period where section 86 applies and both the mismatch condition and the actual provision condition are met.

Details of the Section

2. Subsection (1) states that the section applies where section 86 applies for an accounting period, the “mismatch condition” is met and the “actual provision condition” is met. The “mismatch condition” is defined in subsection (2) of section 86. The circumstances where the “actual provision condition” is met are defined in subsection (8) of section 88.
3. Subsection (2) determines the tax diverted profits that arise in the accounting period to the foreign company. These are equal to the notional PE profits for the period. The notional PE profits are defined in subsection (4) of section 88.

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.