



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 3

MULTINATIONAL TOP-UP TAX

CHAPTER 10

DEFINITIONS ETC

Financial statements and accounting period

249 Consolidated financial statements

- (1) The consolidated financial statements of an entity are—
- (a) where the entity is not the ultimate parent of a consolidated group whose only members are that entity and its permanent establishments, the financial statements prepared by the entity in accordance with acceptable accounting standards in which the assets, liabilities, income, expenses and cash flows of that entity and the entities it has a controlling interest in are presented as those of a single economic unit,
 - (b) where the entity is the ultimate parent of a consolidated group whose only members are that entity and its permanent establishments, the financial accounts of that entity that are prepared in accordance with an acceptable accounting standard,
 - (c) where the entity has prepared statements that would fall within [paragraph \(a\)](#) or [\(b\)](#) but they were not prepared in accordance with an acceptable accounting standard, those statements but adjusted to prevent material competitive distortions, or
 - (d) where no statements were prepared falling within [paragraphs \(a\) to \(c\)](#), the statements that would have been prepared (whether or not the entity was required to prepare such statements) in accordance with an authorised accounting standard that is either—

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- (i) an acceptable accounting standard, or
 - (ii) a financial accounting standard whose application is adjusted to prevent material competitive distortions.
- (2) But [subsection \(1\)\(d\)](#) is not to be taken as imposing a requirement to consolidate entities where that is not required, or is not permitted, by an authorised accounting standard.
- (3) “Authorised accounting standard” in relation to an entity means a set of generally acceptable accounting principles permitted by the body responsible for prescribing, establishing or accepting accounting standards for financial reporting purposes in the territory the entity is located in.
- (4) There are “competitive distortions” in accounts not prepared in accordance with an acceptable accounting standard if the result of the application of one or more specific principles or procedures under the standard under which it was prepared results in differences between—
- (a) the treatment of items in those accounts, and
 - (b) the treatment of those items in accounts prepared in accordance with the corresponding principles or procedures under international financial reporting standards.
- (5) Competitive distortions are “material” if the sum of the differences between the treatment of items in the accounts referred to in [subsection \(4\)](#) exceeds 75 million euros.

250 Acceptable accounting standards

- (1) In [this Part](#) “acceptable accounting standards” means—
- (a) UK GAAP,
 - (b) acceptable overseas GAAP, or
 - (c) international financial reporting standards.
- (2) “UK GAAP”—
- (a) means generally accepted accounting practice in relation to accounts of UK companies (other than accounts prepared in accordance with international accounting standards or international financial reporting standards) that are intended to give a true and fair view, and
 - (b) has the same meaning in relation to entities other than companies, and companies that are not UK companies, as it has in relation to UK companies.
- (3) “Acceptable overseas GAAP” means the generally accepted accounting practice and principles of any of the following—
- Australia;
 - Brazil;
 - Canada;
 - an EEA state;
 - the Hong Kong Special Administrative Region of the People’s Republic of China;
 - Japan;
 - Mexico;
 - New Zealand;

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the People’s Republic of China;
the Republic of India;
the Republic of Korea;
Singapore;
Switzerland;
the United States of America.

- (4) The Treasury may by regulations amend [subsection \(3\)](#) to add or remove territories.
- (5) In this section “UK companies” means companies incorporated or formed under the law of a part of the United Kingdom.

251 Accounting periods

- (1) The general rule is that reference to an accounting period in relation to a multinational group, or any member of that group, is to an accounting period for which the ultimate parent prepares its consolidated financial statements.
- (2) Where the ultimate parent does not prepare consolidated financial statements, references to accounting periods are to the period of a year commencing on 1 January.
- (3) But—
- (a) where an accounting period (“the default period”) has started as a result of the rule in subsection (2), but the ultimate parent prepares consolidated financial statements during the default period for a period commencing with a date after the start of the default period, the default period is to end immediately before that date, and
 - (b) where the ultimate parent had previously prepared consolidated financial statements for accounting periods, the accounting period that follows the last period for which it had prepared consolidated financial statements begins immediately after that last period and ends immediately before 1 January in the following year.

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