



# 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*

#### 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

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*Status: This is the original version (as it was originally enacted).*

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- (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.
- (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.