

*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 84: Section 80 Or 81: 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 80 or 81 applies to a company, “the actual provision condition” is met (as defined in section 82), and the condition for no taxable diverted profits arising in section 83 is not met.

Details of the Section

2. Subsection (1) describes when the section applies. This is where section 80 or 81 applies to a company for an accounting period, the “actual provision condition” is met, as defined in subsection (7) of section 82, and section 83 (cases where no taxable diverted profits arise) does not apply.
3. Subsection (2) explains how to determine the taxable diverted profits, in accordance with the provisions of subsection (2)(a), (b) and (c). It involves applying transfer pricing rules to the “material provision” (that is, the provision that has given rise to the “tax mismatch outcome”).

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 multi-national enterprises) that result in the erosion of the UK tax base.