

*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 116: Commencement and Transitional Provision

Summary

1. This section provides for the diverted profits tax to come into effect on 1 April 2015 and establishes transitional arrangements for accounting periods which straddle the effective date.

Details of the Section

2. Subsection (1) provides that the diverted profits tax will have effect for accounting periods starting on or after 1 April 2015.
3. Subsection (2) sets out transitional arrangements for accounting periods that start before but end on or after 1 April 2015. The subsection provides for the part of the accounting period that falls before 1 April 2015 and the part that falls on or after that date to be treated as separate accounting periods and for the profits of the whole accounting period to be apportioned between them on a just and reasonable basis.
4. Subsection (3) extends the notification period in section 92(2)(b) to 6 months for accounting periods that end on or before 31 March 2016.
5. Subsection (4) ensures the commencement provisions for Lloyd's corporate members do not include profits referable to times before 1 April 2015.
6. Subsection (5) defines a "Lloyd's corporate member" for subsection (4)

Background Note

7. 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.