

## SCHEDULES

### SCHEDULE 4

#### AVOIDANCE INVOLVING PROFIT FRAGMENTATION ARRANGEMENTS

##### *Profit fragmentation arrangements*

- 2 (1) Arrangements are “profit fragmentation arrangements” if—
- (a) provision has been made or imposed as between the resident party and the overseas party by means of the arrangements (“the material provision”),
  - (b) as a result of the material provision, value is transferred from the resident party to the overseas party which derives directly or indirectly from the profits of a business chargeable to income tax or corporation tax (see paragraph 3),
  - (c) the value transferred is greater than it would have been if it had resulted from provision made or imposed as between independent parties acting at arm’s length, and
  - (d) any of the enjoyment conditions are met in relation to a related individual (see paragraph 4).
- (2) But arrangements are not “profit fragmentation arrangements” if—
- (a) the material provision does not result in a tax mismatch for a tax period of the resident party (see paragraphs 5 and 6), or
  - (b) it is not reasonable to conclude that the main purpose, or one of the main purposes, for which the arrangements were entered into was to obtain a tax advantage.
- (3) For the purposes of sub-paragraph (1)(a) provision made or imposed as between a partnership of which the resident party is a member and the overseas party is to be regarded as provision made or imposed as between the resident party and the overseas party.