



# Finance (No. 2) Act 2023

## 2023 CHAPTER 30

### PART 3 **U.K.**

#### MULTINATIONAL TOP-UP TAX

### CHAPTER 10 **U.K.**

#### DEFINITIONS ETC

#### *Ownership of entities*

### 242 **Ownership interests and controlling interests** **U.K.**

- (1) In this Part “ownership interest” means a direct ownership interest or an indirect ownership interest.
- (2) An entity or an individual (“A”) has a direct ownership interest in an entity (“B”) if—
  - (a) A has an interest (whether by way of shares, other security or otherwise) that gives rise to a share of the profits, capital or reserves of B or of a permanent establishment of B (whether on the making of a distribution of profits, winding up or otherwise), and
  - (b) that interest would, ignoring any requirement to consolidate the assets, liabilities, income, expenses and cash flows of B in the consolidated financial statements of A, be accounted for as equity in those statements.
- (3) An entity or an individual (“C”) has an indirect ownership interest in an entity (“D”) if C has a direct ownership interest in—
  - (a) an entity that has a direct ownership interest in D, or
  - (b) an entity that has (as a result of the single or repeated application of this subsection) an indirect ownership interest in D.
- (4) An entity (“R”) has a controlling interest in another entity (“S”) if condition A or B is met.

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- (5) Condition A is that as a result of an ownership interest R has in S—
- (a) R is required to consolidate the assets, liabilities, income, expenses and cash flows of S on a line-by-line basis in accordance with an acceptable financial accounting standard, or
  - (b) R would have been required to do so if R had prepared consolidated financial statements.
- (6) Condition B is that S is a permanent establishment of R.

**243 Calculating percentage ownership interests of a specific entity or individual U.K.**

- (1) For the purpose of determining the percentage ownership interests in an entity (“A”) held by a specific entity or individual (“B”)—
- (a) ignore any indirect ownership interest not held by B, and
  - (b) where B has an indirect ownership interest in A, reduce the direct ownership interest from which it is derived by the amount of that indirect ownership interest.
- (2) But this section does not apply for the purpose of any provision that requires the calculation of direct ownership interests only.

**244 Calculating percentage ownership interests of a class U.K.**

- (1) For the purpose of determining the percentage of ownership interests in an entity (“A”) held by a class of entities (“B”)—
- (a) ignore any indirect ownership interest required to be ignored as described in [subsection \(2\)](#), and
  - (b) reduce any percentage direct ownership interest required to be reduced in accordance with [subsection \(3\)](#).
- (2) An indirect ownership interest is to be ignored if—
- (a) it is an indirect ownership interest held by [<sup>F1</sup>an individual or by] an entity that is not a member of B, or
  - (b) it is an indirect ownership interest held by a member of B through another entity that is a member of B.
- (3) Where a member of B holds an indirect ownership interest in A solely through an entity, or entities, that are not members of B, the direct ownership interest from which it is derived is to be reduced by the amount of that indirect ownership interest.
- (4) [This section](#) does not apply—
- (a) for the purpose of any provision that requires the calculation of direct ownership interests only, or
  - (b) for the purposes of [section 127\(6\)\(a\)](#) and [\(7\)\(a\)](#) (whether an entity is 95% or 85% owned by qualifying excluded entities).

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#### Textual Amendments

- F1** Words in s. 244(2)(a) inserted (22.2.2024 with effect for accounting periods beginning on or after 31.12.2023 in accordance with Sch. 12 para. 1(2) of the amending Act) by [Finance Act 2024 \(c. 3\)](#), [Sch. 12 para. 56\(4\)](#)

### 245 Calculating percentage ownership interests: excluded entities **U.K.**

- (1) For the purpose of determining, under [section 127\(6\)\(a\)](#) and [\(7\)\(a\)](#), the percentage of ownership interests in an entity (“A”) held by qualifying excluded entities—
- (a) ignore any indirect ownership interest apart from ownership interests held solely through one or more qualifying service entities or qualifying exempt income entities, and
  - (b) ignore any direct or indirect ownership interest required to be ignored as described in [subsection \(2\)](#).
- (2) Where [<sup>F2</sup>an individual or] an entity holds an indirect ownership interest in A solely through an entity, or entities, that are qualifying service entities or qualifying exempt income entities, each direct and indirect ownership interest from which it is derived is to be ignored.

#### Textual Amendments

- F2** Words in s. 245(2) inserted (22.2.2024 with effect for accounting periods beginning on or after 31.12.2023 in accordance with Sch. 12 para. 1(2) of the amending Act) by [Finance Act 2024 \(c. 3\)](#), [Sch. 12 para. 56\(5\)](#)

### 246 Calculating percentage direct and indirect ownership interests **U.K.**

- (1) To determine the percentage of direct ownership interest an entity or individual (“E”) has in an entity (“F”)—
- (a) add together the proportional entitlement of E to the following types of interest that are relevant—
    - (i) an interest that gives rise to a share of profits of F,
    - (ii) an interest that gives rise to a share of the capital of F, and
    - (iii) an interest that gives rise to a share of the reserves of F, and
  - (b) if—
    - (i) F issues all of those types of interest and all of those types are relevant, divide the result of [paragraph \(a\)](#) by 3, or
    - (ii) F only issues 2 of the relevant types of interest or there are only 2 types of interest that are relevant and [<sup>F3</sup>F] issues both of them, divide the result of [paragraph \(a\)](#) by 2.
- (2) For the purposes of [subsection \(1\)](#)—
- (a) where a provision under which a percentage of ownership interests is to be determined refers to types of interest mentioned in those sub-paragraphs, the types referred to are “relevant”, and

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- (b) where such a provision does not refer to types of interest mentioned in [sub-paragraphs \(i\) to \(iii\) of subsection \(1\)\(a\)](#), all of those types of interest are “relevant”.
- (3) To determine the percentage indirect ownership interest an entity or individual (“G”) has in an entity (“H”)—
- (a) determine the percentage indirect ownership interest arising as a result of each stack through which it has an indirect ownership interest in H, and
  - (b) add those percentage indirect ownership interests for those stacks together.
- (4) For the purposes of [subsection \(3\)](#) a “stack” means a chain of entities through which G has an indirect ownership interest in H which is comprised of an entity (“J”) which has a direct ownership interest in H and—
- (a) where G has a direct ownership interest in J, G, or
  - (b) where G does not have a direct ownership interest in J—
    - (i) G,
    - (ii) an entity (“K”) which has a direct ownership interest in J and that G has a direct or indirect ownership interest in, and
    - (iii) where G does not have a direct ownership interest in K, an entity which has a direct ownership interest in K and that G has a direct or indirect ownership interest in, and so on until an entity is reached that G has a direct ownership interest in.
- (5) To determine G’s percentage indirect ownership interest in H arising as a result of a stack—
- (a) determine, in accordance with [subsection \(1\)](#)—
    - (i) J’s percentage direct ownership interest in H, and
    - (ii) the percentage direct ownership interest each other member of the stack has in the member of the stack it has a direct ownership interest in, and
  - (b) multiply together the percentage direct ownership interests determined under [paragraph \(a\)](#).

#### Textual Amendments

- F3** Word in [s. 246\(1\)\(b\)\(ii\)](#) substituted (22.2.2024 with effect for accounting periods beginning on or after 31.12.2023 in accordance with Sch. 12 para. 1(2) of the amending Act) by [Finance Act 2024 \(c. 3\)](#), [Sch. 12 para. 56\(6\)](#)

## 247 Timing of transfers of interests **U.K.**

- (1) Where ownership interests in an entity are transferred from one entity or individual to another entity or individual, that transfer is to be treated as effective at the earlier of—
- (a) the time when the obligations of the parties to the transfer necessary to effect the transfer have been met, and
  - (b) the time when any of the substantive consideration for the transfer has been provided,
- (instead of at any earlier time when the transfer is effective).
- (2) In [subsection \(1\)\(b\)](#) the reference to “substantive consideration” means any amount of the consideration for the transfer other than any amount provided before the transfer

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which would not be refundable if the transfer did not take place as a result of the transferee not meeting its obligations under the arrangements to make the transfer.

## **248 Exclusion of indirect interests held through ultimate parent U.K.**

For the purposes of determining whether an entity [<sup>F4</sup>or individual] has an indirect ownership interest in a member of a multinational group (other than the ultimate parent), ignore any indirect interests arising only as a result of an ownership interest in the ultimate parent.

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### **Textual Amendments**

- F4** Words in [s. 248](#) inserted (22.2.2024 with effect for accounting periods beginning on or after 31.12.2023 in accordance with Sch. 12 para. 1(2) of the amending Act) by [Finance Act 2024 \(c. 3\)](#), [Sch. 12 para. 56\(7\)](#)

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**Changes to legislation:**

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