Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 3

MULTINATIONAL TOP-UP TAX

CHAPTER 5

COVERED TAX BALANCE

Amount of covered taxes

173 Covered taxes

(1) The following are covered taxes in relation to a member of a multinational group—

(a) taxes on profits of that member (including, where it has direct or indirect ownership interests in another member of the group, taxes on its share of the income or profits of that other member),

(b) taxes imposed on the member under an eligible distribution tax system,

(c) taxes imposed on the member as a substitute for a tax on profits that generally applies in the territory **[**F1in which the tax is imposed**]**, and

(d) taxes charged by reference to the capital of a company, or by reference to its capital and profits.

(2) But none of the following are to be regarded as covered taxes—

(a) multinational top-up tax, or any tax equivalent to multinational top-up tax;

(b) a qualifying domestic top-up tax (see section 256);

(c) a qualifying undertaxed profits tax (see section 257);

(d) a disqualified refundable imputation tax (see section 253);

(e) where the member carries on a life assurance business, taxes in respect of which amounts were charged to the member's policyholders.

Textual Amendments

F1 Words in s. 173(1)(c) 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. 15**

174 Amount of covered tax balance

(1) To determine the covered tax balance of a member of a multinational group for an accounting period—

Step 1

Determine the amount of the qualifying current tax expense accrued by the member for that period.

Step 2

Determine whether any amounts need to be excluded from that expense under section 175 (and adjust it accordingly).

Step 3

Determine whether any amounts need to be reflected in that expense under section 176 (and adjust it accordingly).

Step 4

If any amount of covered taxes is taken into account more than once in the covered tax balance expense, adjust it so that the amount is only taken into account once.

(2) For the purposes of this Part, current tax expense is to be expressed—

(a) as a positive number where it represents an expense, and

(b) as a negative number where it represents a credit.

(3) If the result of subsection (1) is a negative amount that amount (expressed as a positive number) is a "negative covered tax balance".

(4) If the result of subsection (1) is a positive amount, or nil, that amount is a "positive covered tax balance".

(5) In this Part—

references to the "covered tax balance" of a member of a multinational group are to a positive covered tax balance or a negative covered tax balance;

"qualifying current tax expense" means the amount of the current tax expense as reflected in the member's underlying profits to the extent the expense relates to covered taxes.

175 Amounts excluded from covered tax balance

(1) The amounts referred to in subsection (2) are to be excluded from a member of a multinational group's qualifying current tax expense (to the extent they would otherwise be included).

(2) Those amounts are as follows—

(a) any amount that relates to income or gains that are not included in the member's adjusted profits;

(b) any amount that relates to an uncertain tax position;

(c) any amount of credit or refund in respect of a qualifying refundable tax credit **[**F2, or in respect of a marketable transferable tax credit,**]** that is recorded as a reduction of qualifying current tax expense;

(d) any amount that is not expected to be paid before the end of the period of three years commencing with the first day after the end of the accounting period;

(e) any amount allocated to another member of the multinational group in accordance with this Part;

(f) any amount excluded under section 180(3)(b) (blended CFC regime).

Textual Amendments

F2 Words in s. 175(2)(c) 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. 8(4)**

176 Amounts to be reflected in covered tax balance

(1) The amounts referred to in subsection (2) are to be reflected in a member of a multinational group's qualifying current tax expense (to the extent they were not already reflected).

(2) Those amounts are as follows—

(a) any amount of covered taxes reflected in the member's underlying profits but which (ignoring this paragraph) is not reflected in the qualifying current tax expense;

(b) the total deferred tax adjustment amount (see section 182);

(c) any amount of covered taxes paid, or refunded, in the current accounting period that relates to an uncertain tax position where the amount was excluded under section 175(2)(b) for a previous accounting period;

(d) any amount of credit or refund in respect of a tax credit (whether refundable or not) that—

(i) is not a qualifying refundable tax credit **[**F3or a marketable transferable tax credit**]**, and

(ii) has not been reflected in its qualifying current tax expense in the current accounting period or a previous accounting period (see section 148);

(e) any amount of covered taxes refunded or credited to the member, other than a qualifying refundable tax credit **[**F4or a marketable transferable tax credit**]**;

(f) where section 187(5) applies in relation to the member, the amount of special loss deferred tax assets used, in accordance with section 187(7), by the member for the current accounting period;

(g) any amount of covered taxes recorded in other comprehensive income of the member relating to amounts included in determining its adjusted profits that are subject to covered taxes under the law of the territory in which the member is located;

(h) any amount of covered taxes relating to an amount reflected in the member's adjusted profits as a result of section 146 (adjustment for changes in accounting polices and prior period errors);

(i) any amount allocated to the member from another member of the multinational group.

(3) For the purposes of this Part—

(a) an amount of tax paid or tax expense is to be expressed as a positive number, and

(b) an amount of tax credit or refund is to be expressed as a negative number.

Textual Amendments

F3 Words in s. 176(2)(d)(i) 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. 8(5)(a)**

F4 Words in s. 176(2)(e) 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. 8(5)(b)**

F5 Transferable tax credits

Textual Amendments

F5 Ss. 176A-176C and cross-heading 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. 8(6)**

176A Meaning of "non-marketable transferable tax credits"

(1) Sections 176B and 176C make provision about "non-marketable transferable tax credits".

(2) A tax credit held by a member of a multinational group that is the originator of the credit is a non-marketable transferable tax credit if—

(a) it may be transferred to another person or entity, and

(b) it is neither a marketable transferable tax credit nor a qualifying refundable tax credit.

(3) A tax credit held by a member of a multinational group as a purchaser of the credit is a non-marketable transferable tax credit if it is neither a marketable transferable tax credit nor a qualifying refundable tax credit.

(4) In this section and in sections 176B and 176C "originator" and "purchaser" are to be construed in accordance with section 148A(1)(a).

176B Value of non-marketable transferable tax credits: originator

(1) The covered tax balance of a member of a multinational group that holds a non-marketable transferable tax credit as originator is to be adjusted to secure that the value of the credit is reflected as follows.

(2) The value of the tax credit is to be reflected as it is used.

(3) If the credit is transferred (after the end of the period of 15 months after the accounting period in which the credit is granted), the consideration for the transfer is to be reflected as a credit in the accounting period in which the transfer occurred.

176C Value of non-marketable transferable tax credits: purchaser

(1) The covered tax balance of a member of a multinational group that holds a non-marketable transferable tax credit as purchaser is to be adjusted to secure that the value the credit is reflected as follows.

(2) On using an amount of the credit, the amount given by subsection (3) is to be reflected as a credit in the covered tax balance for the accounting period in which it is used.

(3) That amount is the amount given by multiplying—

(a) the amount used divided by the full value of the credit, by

(b) the amount given by subtracting the purchase price of the credit from the full value of the credit.

(4) On transferring the credit, the amount in subsection (5) is—

(a) if positive, to be reflected as a credit in the covered tax balance for the accounting period in which the transfer occurred, or

(b) if negative, to be reflected as a loss in the underlying profits of the member for that period.

(5) That amount is the amount given by subtracting—

(a) the sum of—

(i) the purchase price of the credit, and

(ii) any amounts recognised reflected in the covered tax balance in accordance with subsection (2) (whether in that accounting period or a previous accounting period), from

(b) the sum of—

(i) the amount of the credit that has been used, and

(ii) the consideration for the transfer.

(6) Where the credit has not been transferred, and was not fully used, before its expiry, the amount in subsection (7) is to be reflected as a loss in the underlying profits of the member for the accounting period in which the credit expired.

(7) That amount is the amount given by subtracting—

(a) the amount of the credit that was used, from

(b) the sum of the purchase price of the credit and any amounts recognised in accordance with subsection (2).**]**

[F6 Tax equity partnerships

Textual Amendments

F6 Ss. 176D-176F and cross-heading 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. 16(1)**

176D Tax credits etc allocated under tax equity partnerships

(1) Where—

(a) a member of a multinational group is an investor in a tax equity partnership arrangement, and

(b) an election under section 165 (excluded equity gains and losses included) applies in relation to the member for an accounting period,

qualifying flow-through tax benefits provided to the member under that arrangement in that period are to be excluded from the covered tax balance of that member for that period.

(2) "Flow-through tax benefits" means tax credits, other than qualifying refundable tax credits, and the value of amounts of tax deductible losses made available to be used by an investor in a tax equity partnership arrangement under that arrangement (whether or not those credits or losses are used by the investor).

(3) Section 176E (proportional amortisation method) applies for the purposes of determining the extent to which flow-through tax benefits are "qualifying" where—

(a) in determining the underlying profits of the investor, the proportional amortisation method is used to account for the arrangement, or

(b) the filing member of the multinational group of which the investor is a member has elected that section 176D should apply for those purposes in relation to the member.

(4) Otherwise, section 176F (subtraction method) applies for those purposes.

(5) For the purposes of this Part, a member of a multinational group is an investor in a tax equity partnership arrangement if—

(a) the member has made an investment in an entity that is tax transparent in the territory in which the member is located,

(b) the investment is treated as an equity interest for tax purposes in the territory in which the member is located,

(c) the investment would, under an authorised accounting standard of the territory in which the entity operates, be treated as an equity interest,

(d) the entity is not a member of the multinational group, and

(e) it is reasonable to expect, at the time of making the investment, that the return on the investment would be negative in the absence of the provision of flow-through tax benefits.

(6) But a member of a multinational group is not to be regarded as an investor in a tax equity partnership arrangement if—

(a) the investment in the entity does not represent a genuine economic interest in that entity such that the member is exposed to the possibility of a loss on the investment, or

(b) the territory in which the member is located limits the use of tax equity partnership arrangements to arrangements that involve a multinational group subject to multinational top-up tax or its equivalent under the law of a territory outside the United Kingdom.

(7) Flow-through tax benefits provided to a member of a multinational group in an accounting period that are not qualifying are to be reflected as a credit in the covered tax balance for that period.

(8) Flow-through tax benefits (whether qualifying or not) provided to a member of a multinational group are not to be reflected in the underlying profits of that member, even if that would be the effect of the election under section 165.

(9) For the purposes of subsection (3)(a), the "proportional amortisation method" means a method of accounting under which—

(a) the initial capital investment in the arrangement is amortised over the term of the investment with the amortisation expense for an accounting period based on the proportion of the flow-through tax benefits expected to be provided over the term of the arrangement that are expected to be provided in that period, and

(b) the difference between the flow-through tax benefits received in an accounting period and that amortisation expense for that period is reflected as tax expense.

(10) For the purposes of this section and sections 176E and 176F, the value of an amount of tax deductible losses made available to be used by an investor is given by multiplying the amount multiplied by the tax rate that applies to the investor.

(11) Paragraph 2 of Schedule 15 (annual elections) applies to an election under subsection (3)(b).

176E Flow-through tax benefits: proportional amortisation method

(1) Where this section applies, to determine the extent to which flow-through tax benefits provided to an investor in an accounting period under a tax equity partnership arrangement are qualifying, take the following steps—

Step 1

Determine the amount of capital investment provided by the investor to the arrangement at its commencement.

Step 2

Divide the flow-through through tax benefits provided under the arrangement in the accounting period by the total flow-through tax benefits expected to be provided over the whole term of the arrangement.

Step 3

Multiply the result of Step 1 by the result of Step 2.

Step 4

Add the following together—

(a) the amounts, if any, of tax credits made available to be used by the investor under the arrangement in the accounting period;

(b) the value of the amounts, if any, of tax deductible losses made available to be used by the investor under the arrangement in the accounting period;

(c) the amounts, if any, of distributions made to the investor in the accounting period;

(d) the amounts, if any, received by the investor for the sale of any part of its investment in the arrangement in the accounting period.

Step 5

If the result of Step 3 is equal to or greater than the result of Step 4, all of the flow-through tax benefits provided under the arrangement in the accounting period are qualifying.

Otherwise proceed to Step 6.

Step 6

Subtract the result of Step 3 from the result of Step 4.

Step 7

The amount of the flow-through benefits provided under the arrangement in the accounting period that is qualifying is the amount given by reducing the amount of those benefits (but not below nil) by the result of Step 6.

(2) Accordingly, the amount by which those benefits are reduced in accordance with Step 7 represents non-qualifying flow-through tax benefits which are to be reflected as a credit in the investor's covered tax balance.

176F Flow-through tax benefits: subtraction method

Where this section applies, to determine the extent to which flow-through tax benefits provided to an investor in an accounting period under a tax equity partnership arrangement are qualifying, take the following steps—

Step 1

Determine the amount of capital investment provided by the investor to the arrangement at its commencement.

Step 2

Subtract the following from that amount—

(a) the amounts, if any, of tax credits made available to be used by the investor under the arrangement since the commencement of the arrangement, other than tax credits that are not qualifying refundable tax credits that were made available in the accounting period;

(b) the value of the amounts, if any, of tax deductible losses made available to be used by the investor under the arrangement since its commencement, other than losses made available in the accounting period;

(c) the amounts, if any, of distributions made to the investor since the arrangement's commencement;

(d) the amounts, if any, received by the investor for the sale of any part of its investment in the arrangement.

Step 3

If the result of Step 2 is nil or less, no flow-through tax benefits provided under arrangement in the accounting period are qualifying.

If the result of that step is more than nil, proceed to Step 4.

Step 4

Subtract the flow-through tax benefits provided to the investor in the accounting period under the arrangement from the result of Step 2.

Step 5

If the result of Step 4 is nil or greater, all of the flow-through tax benefits provided under the arrangement in the accounting period are qualifying.

Otherwise, the amount of those benefits that is qualifying is the amount of those benefits that when subtracted from the result of Step 2 would give a result of nil.**]**

Allocation of covered taxes

177 Permanent establishments

(1) Any amount of qualifying current tax expense included in the underlying profits accounts of a member of a multinational group that is in respect of profits of a permanent establishment is to be allocated to the permanent establishment **[**F7(and is to be regarded as qualifying current tax expense of the permanent establishment for the purposes of applying section 175(2)(a))**]**.

(2) Where profits of a permanent establishment are treated as income of the main entity as a result of section 160(5), covered taxes on those profits are to be allocated to the main entity.

(3) But the amount allocated in accordance with subsection (2) is not to exceed the amount given by multiplying the amount of those profits by the highest corporate tax rate on ordinary income in the territory where the main entity is located.

(4) Any deferred tax asset with respect to a loss arising in the territory of a permanent establishment that is treated as an expense of the main entity as a result of section 160(2) is to be ignored in determining the covered tax balance of either the main entity or the permanent establishment.

Textual Amendments

F7 Words in s. 177(1) 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. 17(1)**

178 Reallocation of tax expense

(1) Where—

(a) profits have been allocated to a member of a multinational group ("O") under section 167 or 168 (allocation of profits of hybrid, transparent and reverse hybrid entities), and

(b) the member from whom the profits have been allocated has an amount of qualifying current tax expense in respect of those profits,

that qualifying **[**F8current**]** tax expense is to be allocated to O.

[F9(1A) Where—

(a) a member of a multinational group has an amount of qualifying current tax expense,

(b) that amount is in respect of profits not included in the member's underlying profits, and

(c) if those profits had been included in the member's underlying profits, a corresponding amount of adjusted profits would have been allocated to another member of the group ("O") under section 167 or 168,

that qualifying current tax expense is to be allocated to O (and is to be regarded as qualifying current tax expense of O for the purposes of applying section 175(2)(a)).

(1B) Section 175(2)(a) (exclusion of amounts relating to income or gains not included in adjusted profits) applies to an amount of qualifying current tax expense allocated in accordance with subsection (1) as if—

(a) the reference to the member's adjusted profits were to the adjusted profits of the member from whom the amount of qualifying current tax expense was allocated, and

(b) profits allocated from that member to O under section 167 or 168 were not excluded from the adjusted profits of that member.**]**

(2) But the amount of qualifying current tax expense in respect of mobile income allocated to O **[**F10(under subsections (1) and (1A))**]** is not to exceed the amount given by taking the following steps—

Step 1

Determine the effective tax rate of the members of the multinational group in the territory of O for the accounting period to which the qualifying current tax expense relates, ignoring that expense.

Step 2

Subtract the result of Step 1 from 15%.

Step 3

Multiply the result of Step 2 by the amount of mobile income to which the qualifying tax expense relates.

(3) For the purposes of this section and section 179, "mobile income" means income of a type mentioned in subsection (4) in respect of which a member of a multinational group is subject to tax—

(a) under a controlled foreign company tax regime (see section 179(4)), or

(b) as a result of an ownership interest in an entity regarded as tax transparent in the territory the member is located in but not so regarded in the territory in which that entity is located.

(4) Those types of income are—

(a) dividends or dividend equivalents,

(b) interest or interest equivalent,

(c) rent,

(d) a royalty,

(e) an annuity, or

(f) net gains from property of a type that produces income described in paragraphs (a) to (e).

[F11(5) Where an amount of qualifying current tax expense would have been allocated to O, but the amount allocated is limited as a result of subsection (2) the amount not allocated remains with the member from whom it otherwise would have been allocated.

(6) But if an amount would, ignoring this subsection, remain with the member from whom it would have otherwise been allocated, and that amount relates to income or gains

that are not included in the adjusted profits of O, that amount is to be excluded from the covered tax balance of both the member and O.**]**

Textual Amendments

F8 Word in s. 178(1) 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. 17(3)**

F9 S. 178(1A)(1B) 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. 17(4)**

F10 Words in s. 178(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. 17(5)**

F11 S. 178(5)(6) 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. 17(6)**

179 Controlled foreign company tax regimes

(1) Where—

(a) a member of a multinational group ("C") is subject to a controlled foreign company tax regime, and

(b) C has an ownership interest in another member of the group ("F") that is a **[**F12CFC entity**]** in relation to C,

any amount of qualifying current tax expense included in C's underlying profits accounts with respect to tax on C's share of the profits of F are to be allocated to F (to the extent it has not already been allocated as a result of another provision of this Part).

[F13(1A) Qualifying current tax expense allocated to F is to be regarded as qualifying current tax expense of F for the purposes of applying section 175(2)(a).**]**

(2) But the amount of qualifying current tax expense in respect of mobile income allocated to F is not to exceed the amount given by taking the following steps—

Step 1

Determine the effective tax rate of the members of the multinational group in the territory of F for the accounting period to which the qualifying current tax expense relates, ignoring that expense.

Step 2

Subtract the result of Step 1 from 15%.

Step 3

Multiply the result of Step 2 by the amount of mobile income to which the qualifying current tax expense relates.

(3) Subsection (1) does not apply to a controlled foreign company tax regime that is a blended CFC regime in accounting periods commencing on or before 31 December 2025 that end on or before 30 June 2027.

[F14(3A) Where an amount of qualifying current tax expense would have been allocated to F but the amount allocated is limited as a result of subsection (2), the amount not allocated remains with C.

(3B) But if an amount would, ignoring this subsection, remain with C and that amount relates to income or gains that are not included in the adjusted profits of F, that amount is to be excluded from the covered tax balance of both C and F.**]**

(4) In this Part—

"controlled foreign company tax regime" means a set of tax rules (other than multinational top-up tax or any tax equivalent to multinational top-up tax) under which an entity with an ownership interest in another entity located in a different territory ("the controlled foreign company") is subject to current taxation on its share of part or all of the income earned by the controlled foreign company, irrespective of whether that income is distributed currently to it;

[[F15]"CFC entity", in relation to a member of a multinational group who is subject to a controlled foreign company tax regime, means—

(a) a controlled foreign company in relation to that member,

(b) a permanent establishment of such a controlled foreign company, or

(c) an entity whose profits are treated, for the purposes of the regime, as the profits of such a controlled foreign company;**]**

"blended CFC regime" means a controlled foreign company tax regime—

(a) under which the income, losses and creditable taxes of all of the controlled foreign companies of the entity with ownership interests in them are aggregated for the purposes of calculating the entity's tax liability under the regime,

(b) that does not take into account the income of the entity, or members of a consolidated group of which the entity is a member, that arises in the location of the entity, apart from to the extent the entity may use its losses arising in that location to reduce its liability under the regime, and

(c) which operates by reference to a rate which reflects a threshold for low taxation.

Textual Amendments

F12 Words in s. 179(1)(b) 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. 18(2)**

F13 S. 179(1A) 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. 17(7)(a)**

F14 S. 179(3A)(3B) 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. 17(7)(b)**

F15 Words in s. 179(4) 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. 18(3)**

180 Blended CFC regimes

(1) This section applies to accounting periods commencing on or before 31 December 2025 that end on or before 30 June 2027.

(2) Subsection (3) applies where—

(a) a member of a multinational group ("C") is subject to a blended CFC regime in an accounting period ("the relevant period"),

(b) C has an ownership interest in an entity ("F") that is a F16... CFC entity in relation to C, and

(c) the blended CFC allocation key of F is greater than nil.

(3) The appropriate proportion of tax charged to C under that regime (after all deductions and use of any losses) is—

(a) where F is a member of the same multinational group as C, to be allocated to F, or

(b) where F is not a member of that group, to be excluded from the covered tax balance of C.

(4) The appropriate proportion is the proportion given by dividing the blended CFC allocation key for F for the relevant period by the sum of all blended CFC allocation keys for that period of F17... CFC entities in which C has an ownership interest.

(5) The blended CFC allocation key for the relevant period of a F18... CFC entity that C has an ownership interest in is the amount given by multiplying—

(a) the attributable income of C **[**F19in relation to the CFC entity**]**, by

(b) the percentage given by subtracting the applicable effective tax rate of the F20... CFC entity for the relevant period from the applicable CFC rate for that period.

(6) But where—

(a) the result of subsection (5)(b) in relation to a F21... CFC entity is less than nil, or

(b) the applicable effective tax rate of that entity is greater than 15%,

the blended CFC allocation key for that entity is to be treated as nil.

(7) The attributable income of C **[**F22in relation to a CFC entity in which C has an ownership interest**]** means C's share of the income of **[**F23the entity**]** for the relevant period determined as it would be determined for the purposes of the blended CFC regime.

(8) The applicable effective tax rate of a F24... CFC entity for the relevant period is—

(a) where it is located in a territory in which the effective tax rate of members of the multinational group of which C is a member is calculated for that period, that effective tax rate as it would be calculated if—

(i) any tax arising under a blended CFC regime were ignored, and

(ii) where the blended CFC regime permits foreign tax credit in respect of a qualifying domestic top-up tax on the same basis it would be permitted for covered taxes, that qualifying domestic top-up tax were a covered tax, or

(b) where it is not located in such a territory, the effective tax rate that would be calculated for the relevant period for the F25... CFC entities located in that territory in which C has an ownership interest if—

(i) those entities were members of a multinational group whose ultimate parent's accounting period is the same as the relevant period,

[F26(ii) the result of Step 2 in section 132(1) for those entities were the aggregate of their profits (and losses) before tax as shown in their financial accounts,

(iia) the combined covered tax balance for those entities were the aggregate of the taxes shown in their financial accounts,**]**

(iii) any tax arising under a blended CFC regime were ignored, and

(iv) where the blended CFC regime permits foreign tax credit in respect of a qualifying domestic top-up tax on the same basis it would be permitted for covered taxes, that qualifying domestic top-up tax were a covered tax.

(9) The applicable CFC rate for the relevant period means the rate which reflects the threshold for low taxation by reference to which the blended CFC regime is generally operated, taking into account any credit for foreign taxes available under the regime.

F27(10) . . . . . .

Textual Amendments

F16 Word in s. 180(2)(b) omitted (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 virtue of Finance Act 2024 (c. 3), **Sch. 12 para. 18(4)(a)**

F17 Word in s. 180(4) omitted (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 virtue of Finance Act 2024 (c. 3), **Sch. 12 para. 18(4)(b)**

F18 Word in s. 180(5) omitted (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 virtue of Finance Act 2024 (c. 3), **Sch. 12 para. 18(4)(c)(i)**

F19 Words in s. 180(5)(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. 19(2)**

F20 Word in s. 180(5)(b) omitted (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 virtue of Finance Act 2024 (c. 3), **Sch. 12 para. 18(4)(c)(ii)**

F21 Word in s. 180(6)(a) omitted (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 virtue of Finance Act 2024 (c. 3), **Sch. 12 para. 18(4)(d)**

F22 Words in s. 180(7) 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. 19(3)(a)**

F23 Words in s. 180(7) 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. 19(3)(b)**

F24 Word in s. 180(8) omitted (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 virtue of Finance Act 2024 (c. 3), **Sch. 12 para. 18(4)(e)(i)**

F25 Word in s. 180(8)(b) omitted (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 virtue of Finance Act 2024 (c. 3), **Sch. 12 para. 18(4)(e)(ii)**

F26 S. 180(8)(b)(ii)(iia) substituted for s. 180(8)(b)(ii) (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. 19(4)**

F27 S. 180(10) omitted (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 virtue of Finance Act 2024 (c. 3), **Sch. 12 para. 18(4)(f)**

181 Distributions from other members of a group

(1) Where qualifying current tax expense in respect of covered taxes accrued in an accounting period in the underlying profits accounts of a member of a multinational group ("R") is in respect of a distribution received from another member of the group ("D") in which R has a direct ownership interest, that expense is to be allocated to D.

(2) Reference in subsection (1) to a distribution received is to be treated as including deemed distributions taken account of for the purposes of taxes on a shareholder of an entity in respect of undistributed earnings or capital of the entity.

Dealing with deferred tax assets etc

182 Total deferred tax adjustment amount

(1) The total deferred tax adjustment amount for a member of a multinational group for an accounting period is the deferred tax expense relating to covered taxes reflected in the member's underlying profits, adjusted as follows.

(2) The deferred tax expense is to be adjusted to exclude the following—

(a) any amount of that expense that reflects items not reflected in the member's adjusted profits;

(b) any amount of that expense that reflects disallowed accruals or unclaimed accruals;

(c) the impact of a valuation adjustment or accounting recognition adjustment with respect to a deferred tax asset;

(d) any amount of that expense arising from a re-measurement with respect to a change in the rate of tax;

(e) any amount of that expense that reflects the generation or use of tax credits (but see section 183 which permits the inclusion of qualifying foreign tax credits).

(3) Where a deferred tax liability is reversed in an accounting period, and that deferred tax liability was treated as an unclaimed accrual in a previous accounting period, the deferred tax expense is to be increased by the amount of the deferred tax liability that has reversed.

(4) Where a deferred tax asset is not reflected in the deferred tax expense only as a result of the recognition criteria not being met, that deferred tax asset is to be reflected in the total deferred tax adjustment amount.

(5) Where the amount of a deferred tax asset is adjusted as a result of section 186, an amount equal to that adjustment is to be reflected in the total deferred tax adjustment amount.

(6) Where an amount of recaptured deferred tax liability (see section 184) that was determined for a previous accounting period is reversed during the accounting period, that amount is to be reflected in the total deferred tax adjustment amount.

(7) Where the deferred tax expense relates to covered taxes where the rate is greater than 15%, the amount of that expense (after adjustment under subsections (2) to (6)) is to be adjusted so that it reflects the amount it would have been had the rate been 15%.

(8) For the purposes of this section—

"disallowed accrual" means—

(a) any movement in deferred tax expense reflected in the member's underlying profits which relates to an uncertain tax position, or

(b) any movement in deferred tax expense reflected in those profits which relates to distributions from another member of that group;

"unclaimed accrual" means an increase in a deferred tax liability reflected in the member's underlying profits for an accounting period—

(a) that is not expected to be reversed before the end of the fifth accounting period after that period, and

(b) in respect of which the filing member has elected not to include in the total deferred tax adjustment amount for that period.

Paragraph 2 of Schedule 15 (annual elections) applies to an election not to include an unclaimed accrual in the total deferred tax adjustment amount.

183 Qualifying foreign tax credits (substitute loss carry forward assets)

(1) A qualifying foreign tax credit of a member of a multinational group is to be included in the member's total deferred tax adjustment amount.

(2) A foreign tax credit is qualifying if—

(a) the territory in which the member is located—

(i) requires that domestic losses are offset against relevant foreign income before foreign tax credits can be applied against tax on foreign income, and

(ii) permits foreign tax credits to be used to offset tax on domestic profits to the extent to which domestic losses have been offset against relevant foreign income in a previous taxable period,

(b) the member has used a domestic loss to offset (in whole or in part) relevant foreign income, and

(c) the foreign tax credit is in respect of tax imposed by another territory on that foreign income.

(3) The amount that may be included in the total deferred tax adjustment amount of the member is the lesser of—

(a) the foreign tax paid, and

(b) the amount of domestic loss used to offset the relevant foreign income, multiplied by the tax rate **[**F28in the territory in which the member is located**]**.

(4) Section 182(7) (adjustment where rate of tax exceeds 15%) applies to a qualifying **[**F29foreign**]** tax credit included in the member's total deferred tax adjustment amount as it applies to the member's deferred tax expense.

(5) In this section**[**F30and in section 183A**]** "relevant foreign income", in relation to a member of a multinational group, means income of a controlled foreign company of the member on which the member is taxed as a result of a controlled foreign company tax regime.

Textual Amendments

F28 Words in s. 183(3)(b) 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. 20(2)**

F29 Word in s. 183(4) 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. 20(3)**

F30 Words in s. 183(5) 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. 20(4)**

[F31 183A Alternative to section 183 where carry forward of credits not permitted

(1) A special foreign tax asset of a member of a multinational group is to be used to increase its covered tax balance in accordance with this section.

(2) Subsection (3) applies where—

(a) the territory in which a member of a multinational group is located requires that domestic losses are offset against relevant foreign income before foreign tax credits can be applied against tax on foreign income,

(b) the territory limits the extent to which foreign tax credits can be applied against tax in a taxable period,

(c) the territory allows foreign tax credits to be used to a greater extent where a domestic loss has been used to offset (in whole or in part) relevant foreign income in a prior period, and

(d) the member has used a domestic loss to offset (in whole or in part) relevant foreign income.

(3) Where this subsection applies, the member has a special foreign tax asset arising in the accounting period in which the loss was used.

(4) The amount of that special foreign tax asset is the amount of the domestic loss used to offset relevant foreign income multiplied by the lesser of—

(a) the nominal rate of tax in the member's territory for the taxable period in which it was used, and

(b) 15%.

(5) Where a member of a multinational group has a special foreign tax asset that arose in any previous accounting period, the member is to use that amount to increase its covered tax balance.

(6) The amount of the special foreign tax asset that is to be used in an accounting period is the lesser of—

(a) the amount of the asset, and

(b) so much of the amount of foreign tax credits credited against tax in the taxable period corresponding to that accounting period as is capable of being credited only as a result of the prior use of the domestic loss.

Any remainder continues to be a special foreign tax asset (and is available for use in subsequent account periods where subsection (5) applies).**]**

Textual Amendments

F31 S. 183A 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. 20(5)**

184 Recaptured deferred tax liabilities

(1) A member of a multinational group has a recaptured deferred tax liability if it has a deferred tax liability, other than an excluded liability, taken into account in its total deferred tax adjustment amount for an accounting period ("the initial period") that is not reversed before the end of the fifth accounting period after the initial period.

(2) Where a member of a multinational group has a recaptured deferred tax liability—

(a) the amount included in the total deferred tax adjustment amount for the initial period in relation to that recaptured deferred tax liability is to be excluded from its covered tax balance for that period, and

(b) the following are to be accordingly recalculated for the initial period—

(i) the effective tax rate for the member and the other members of that group located in the same territory, and

(ii) the top-up amounts that those members would have.

(3) Section 206 applies to recalculations under subsection (2).

(4) For the purposes of subsection (1) "excluded liability" means a tax expense attributable to changes in associated deferred tax liabilities in respect of—

(a) cost recovery allowances on tangible assets,

(b) the cost of a licence or similar arrangement from the government for the use of immovable property or exploitation of natural resources that entails significant investment in tangible assets,

(c) research and development expenses,

(d) de-commissioning and remediation expenses,

(e) fair value accounting on unrealised net gains,

(f) foreign currency exchange net gains,

(g) insurance reserves and insurance policy deferred acquisition costs,

(h) gains from the sale of tangible property located in the same territory as the member that are reinvested in tangible property in the same territory, or

(i) additional amounts accrued as a result of accounting principle changes with respect to things falling within any of paragraphs (a) to (h).

185 Inclusion of existing deferred tax assets and liabilities on entry into regime

(1) This section applies to deferred tax assets and deferred tax liabilities of a member of a multinational group as at the beginning of the first accounting period for which Pillar Two rules apply to it that is reflected in its underlying profits accounts (and the adjustments set out in this section apply instead of those set out in section 182(2) to (7)).

(2) Each such asset and liability is to be taken into account in determining the member's deferred tax expense—

(a) if the nominal tax rate in relation to the asset **[**F32or liability**]**—

(i) is less than 15% and subsection (3) does not apply, at its nominal tax rate,

(ii) is 15% or more, as if the rate of tax to which the asset or liability related was 15%,

(b) in the case of a deferred tax asset, excluding the impact of a valuation adjustment or accounting recognition adjustment with respect to it.

(3) But where—

(a) the nominal tax rate in relation to the asset is less than 15%, and

(b) the member can demonstrate that a deferred tax asset is attributable to the fact of the member having a loss which would have been taken account of in determining adjusted profits had those profits been determined under this Part,

that asset is to be taken into account in determining the member's deferred tax expense as if the rate of tax to which the asset related was 15%.

(4) Where a deferred tax asset relates to a tax credit neither subsection (2)(a) nor (3) applies.

(5) If the nominal tax rate that applies on the reversal of such a tax asset exceeds 15%, the amount of the reversal is to be treated as if it were the amount given by multiplying—

(a) the amount given by dividing—

(i) the amount of the deferred tax expense in the underlying profits accounts in respect of that deferred tax asset, by

(ii) the nominal tax rate that applied on the reversal, by

(b) 15%.

(6) Subsection (7) applies to a deferred tax asset of a member of a qualifying multinational group that arises—

(a) as a result of a transaction made after 30 November 2021 and before the commencement of the first accounting period for which Pillar Two rules apply to it, and

(b) in relation to an item that either—

(i) is included in the member's taxable income but which would not be included in the member's adjusted profits (had those profits been determined under this Part), or

(ii) is not included in the member's taxable income but which would be included in the member's adjusted profits (had those profits been determined under this Part).

(7) A deferred tax asset to which this subsection applies is to be ignored in determining the member's deferred tax expense.

Textual Amendments

F32 Words in s. 185(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. 51(1)**

186 Deferred tax assets recorded at less than minimum rate

(1) This section applies where the value of a deferred tax asset of a member of a multinational group—

(a) is calculated on the basis of a tax rate of less than 15%, and

(b) is attributable to an accounting period in which the member's adjusted profits were a loss.

[F33(2) But this section only applies in relation to a deferred tax asset of the member falling within subsection (1) if the filing member accounts for all such assets of the member in accordance with this section in an information return submitted to HMRC or a qualifying authority (see paragraph 10(5) of Schedule 14).**]**

(3) Subsection (4) applies where the loss for the accounting period upon which the value of that asset was calculated does not exceed the loss established on determining the member's adjusted profits for that period.

(4) Where this subsection applies, the asset is to be treated as having the value it would have if the tax rate upon which it was calculated were 15%.

(5) Subsection (6) applies where the loss for the accounting period upon which the value of that asset was calculated exceeds the loss established on determining the member's adjusted profits for that period.

(6) The relevant part of the asset is to be treated as having the value of a deferred tax asset generated on the loss established on determining the member's adjusted profits on the basis of a tax rate of 15%.

(7) The "relevant part" of the asset means so much of the asset derived from an amount of loss that does not exceed the loss established on determining the member's adjusted profits.

F34(8) . . . . . .

Textual Amendments

F33 S. 186(2) 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. 51(2)(a)**

F34 S. 186(8) omitted (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 virtue of Finance Act 2024 (c. 3), **Sch. 12 para. 51(2)(b)**

187 Election for losses to be treated as special loss deferred tax assets

(1) The filing member of a multinational group may elect that this section applies to all of the standard members of the group in a particular territory ("the relevant territory").

(2) An election under subsection (1)—

(a) must be made having effect for the first accounting period in which the Pillar Two rules apply to any standard member in the relevant territory,

(b) may not otherwise be made (and accordingly if the election is revoked it cannot be made again), and

(c) may not be made for a territory that has an eligible distribution tax system.

(3) Where this section applies to the standard members of a multinational group for an accounting period—

(a) none of those members has a total deferred tax adjustment amount for that period, and

(b) if the result of Step 2 in section 132(1) in relation to those members is nil or less (those members between them have made a loss), the amount of that result (expressed as a positive number) multiplied by 15% is a special loss deferred tax asset of those members.

(4) Subsection (5) applies where—

(a) this section applies in relation to the standard members of a multinational group in a territory for an accounting period,

(b) the result of Step 2 in section 132(1) in relation to those members is greater than nil, and

(c) those members have one or more special loss deferred tax assets.

(5) Where this subsection applies, the standard members of the group that have made a profit in that accounting period are to use those assets in that period to increase their covered tax balances in accordance with subsections (6) and (7).

(6) The amount of the special loss deferred tax assets that is to be used is the lesser of—

(a) the amount of the assets, and

[F35(b) the result of Step 2 in section 132(1) multiplied by 15%.**]**

Any remainder continues to be a special loss deferred tax asset of the relevant members of the group (and is available for use in subsequent accounting periods **[**F36in which the election has effect**]**).

(7) Each of the standard members that made a profit in that period is to use the proportion of the amount to be used in accordance with subsection (6) that is equal to the proportion the adjusted profits of the member bears to the total adjusted profits of all of the standard members that made a profit.

Textual Amendments

F35 S. 187(6)(b) 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. 51(3)(a)**

F36 Words in s. 187(6) 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. 51(3)(b)**

188 Further provision about elections under section 187

(1) Paragraph 1 of Schedule 15 (long term elections) applies to an election under section 187.

(2) But that paragraph has effect for the purposes of such an election as if—

(a) sub-paragraph (4) were omitted (so that there is no restriction on revoking the election), and

(b) sub-paragraph (5) were omitted (as an election under this section cannot be made again once revoked).

Eligible distribution tax systems: deemed taxes

189 Deemed distribution tax election

(1) The filing member of a multinational group may make an election that section 190 (deemed distribution tax) applies to all of the standard members of the group in a particular territory for an accounting period.

(2) An election under subsection (1) may only be made in relation to a territory if that territory has an eligible distribution tax system.

(3) In this Part "eligible distribution tax system" means a system of tax on company profits that—

(a) is generally only payable when a company distributes, or is deemed to distribute, those profits to its members, or when it incurs certain non-business expenses,

(b) is charged at a rate of at least 15%, and

(c) was in force on or before 1 July 2021.

(4) Paragraph 2 of Schedule 15 (annual elections) applies to an election under this section.

190 Deemed distribution tax amount

(1) Where this section applies to the standard members of a multinational group in a territory for an accounting period, those members have a deemed distribution tax amount for that period.

(2) The deemed distribution tax amount is the lesser of—

(a) the amount that, when added to the result of Step 4 in section 132(1), would result in the effective tax rate of those members for that period being 15%, and

(b) the amount of tax that would have been due in that territory if all of those members had distributed all of their profits of that period.

(3) The combined covered tax balance of those members for that period, as determined under Step 4 in section 132(1), is to be increased by adding that deemed distribution tax amount.

(4) In the following accounting period, those members have a "recapture amount" in respect of the previous accounting period that is (initially) equal to the deemed distribution tax amount for that period.

(5) Those members continue to have a recapture amount in respect of an accounting period until the earlier of—

(a) the end of the fourth accounting period after the period in which the recapture amount first arose, and

(b) the time when the recapture amount has reduced to nil.

(6) Section 191 sets out how recapture amounts reduce.

(7) If the recapture amount in respect of an accounting period has not reduced to nil by the end of the fourth accounting period after that period the following are to be recalculated for the period in which the recapture amount arose, with the amount of the recapture amount remaining subtracted from the combined covered tax balance (after the addition of the deemed distribution tax amount)—

(a) the effective tax rate for those members, and

(b) the top-up amounts that those members would have following that recalculation.

191 Reduction of recapture amount

(1) Where standard members of a multinational group in a territory have a recapture amount in an accounting period ("the relevant period") in respect of a previous accounting period that amount is to be reduced in accordance with subsections (3) to (5).

(2) If those members have more than one recapture amount in the relevant period, those reductions are to be applied first to the recapture amount in respect of the earliest accounting period, then the next earliest and so on.

(3) First, if any of the members have accrued qualifying taxes in the relevant period reduce the recapture amount (but not below nil) by the amount of qualifying taxes accrued by the members in that period that is available.

(4) Then, if the members have a collective loss for the relevant period (and if the recapture amount has not been reduced to nil) reduce the recapture amount (but not below nil) by the amount of that loss that is available multiplied by 15%.

(5) Finally, if the members have a qualifying carried forward loss (and if the recapture amount has not been reduced to nil) reduce the recapture amount (but not below nil) by the amount of the qualifying carried forward loss that is available.

(6) An amount is "available" to the extent it has not been used to reduce another recapture amount (in the case of a qualifying carried forward loss, whether in that period or a previous period).

(7) For the purposes of subsections (3) to (6)—

"qualifying taxes" means taxes accrued in the relevant period on actual or deemed distributions of profits;

members of the group have a "collective loss" for an accounting period if the result of Step 2 in section 132(1) is less than nil, and the amount of that loss is that result expressed as a positive number,

members of the group have a "qualifying carried forward loss" if —

(a) they had a collective loss in a period, and

(b) after making reductions in accordance with subsections (2) to (5) an amount of that collective loss remains available,

and the amount of that qualifying carried forward loss is the amount of the collective loss that remained available.

(8) Any amount of qualifying taxes accrued by a member of the group that is used to reduce a recapture amount is excluded from that member's covered tax balance.

192 Recalculation where member leaves the group

(1) This section applies where—

(a) in an accounting period ("the relevant period"), a standard member of a multinational group ("D") in a territory ("the relevant territory")—

(i) leaves the group,

(ii) transfers all, or substantially all, of its assets to an entity who is not a member of the group or to an individual, or

(iii) transfers all, or substantially all, of its assets to a member of the group that is not located in the relevant territory, and

(b) the standard members (including D) of the group in the relevant territory ("the relevant members") had, in previous accounting periods, one or more recapture amounts (each a "recapture period").

(2) Where this section applies, the following are to be recalculated for each recapture period—

(a) the effective tax rate for the relevant members, and

(b) the top-up amounts that those members would have in accordance with that recalculation.

(3) In recalculating that rate and those amounts for each of those periods, deduct the amount of each recapture amount that was outstanding in the period (after any reduction under section 191 in that period) from the combined covered tax balance of those members for the period.

(4) The relevant members have a special additional top-up tax amount under this section for the relevant period that is equal to the sum of the amounts given by—

(a) subtracting the amount of top-up amounts those members had for each recapture period from the sum of the top-up amounts those members would have for that period as recalculated under subsection (2)(b), and

(b) multiplying the result of paragraph (a) for each recapture period by the disposition recapture ratio for that period.

(5) Subject to subsections (6) and (7), the disposition recapture ratio for an accounting period is the amount given by dividing—

(a) the adjusted profits of D in that period, by

(b) the result of Step 2 in section 132(1) for the relevant members for that period.

(6) If either of the amounts described in paragraph (a) or (b) of subsection (5) is nil or less, the disposition recapture ratio is nil.

(7) If (ignoring this subsection) the disposition recapture ratio would be greater than 1, it is to be treated as 1.

(8) Sections 206 and 207 include further provision about special additional top-up tax amounts under this section.

(9) Each of the amounts mentioned in subsection (10) for each affected period is to be treated, for the purposes of this Part, as the amount given by multiplying—

(a) that amount, by

(b) the amount given by subtracting the disposition recapture ratio for that period from 1.

(10) Those amounts are—

(a) the result of Step 2 in section 132(1) for those members for that period;

(b) the combined covered tax balance of the standard members of the group in the relevant territory;

(c) any recapture amount those members have in that affected period;

(d) the substance based income exclusion for that period for that territory.

(11) An accounting period is an affected period if it is—

(a) a recapture period, or

(b) the relevant period and the standard members of the group in the territory have one or more recapture amounts in that period.

Status:
Point in time view as at 22/02/2024.

Changes to legislation:
There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Chapter 5.