



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 3

MULTINATIONAL TOP-UP TAX

CHAPTER 4

CALCULATION OF ADJUSTED PROFITS OF MEMBERS OF A MULTINATIONAL GROUP

Adjusted profits of a member of a multinational group

134 Underlying profits as determined for statements of ultimate parent

- (1) The normal rule is that the underlying profits of a member of a multinational group, other than a member that is a permanent establishment, are the member's profits as they would be determined for that member in preparing consolidated financial statements for the ultimate parent.
- (2) But those profits may instead be determined on the basis of an alternative accounting standard, and information in the separate financial accounts of the member, if all of the conditions in [subsection \(3\)](#) are met.
- (3) Those conditions are that—
 - (a) it is not reasonably practicable to determine those profits on the basis of the accounting standard used in the preparation of the consolidated financial statements of the ultimate parent,
 - (b) the alternative accounting standard is an acceptable accounting standard or an authorised accounting standard,
 - (c) the alternative accounting standard is that used for the financial accounts of the member, and
 - (d) the information in those accounts is reliable.

- (4) Where an alternative accounting standard is used and an amount relevant to the underlying profits of a member of a multinational group is recorded in a currency other than the currency used for the consolidated financial statements of the ultimate parent, that amount is to be converted to that currency for the purposes of [this Part](#).
- (5) [Subsection \(6\)](#) applies where the application of a particular policy of the alternative accounting standard in the determination of the profits of the member results in a significant accounting standard difference that would not arise if the accounting standard of the ultimate parent had been applied.
- (6) The underlying profits are to be adjusted to eliminate that difference (as if the accounting standard of the ultimate parent had been applied).
- (7) Information in the financial accounts of the member is “reliable” if an auditor applying the generally accepted auditing standards of a relevant territory would reasonably conclude the member has in place such processes relating to their preparation as are likely to make the information in the financial accounts a fair and accurate description of the income, expenses, assets and liabilities of that member.
- (8) For the purposes of [subsection \(7\)](#), the following are relevant territories—
 - (a) the territory in which the member is located;
 - (b) the territory in which the ultimate parent is located;
 - (c) if the member is a flow-through entity (see [section 168\(2\)](#)) that is a stateless entity, the territory in which it was created.
- (9) For the purposes of this section, reference to a “significant accounting standard difference” is to a difference of more than 1 million euros between the treatment of an amount in the financial accounts of a member of a multinational group and the consolidated financial statements of the ultimate parent that is not eliminated over time.