



# Finance (No. 2) Act 2023

## 2023 CHAPTER 30

### PART 3

#### MULTINATIONAL TOP-UP TAX

### CHAPTER 5

#### COVERED TAX BALANCE

#### *Allocation of covered taxes*

#### **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 tax expense is to be allocated to O.

(2) But the amount of qualifying current tax expense in respect of mobile income allocated to O 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*

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*Status: This is the original version (as it was originally enacted).*

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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 \(e\)](#).