



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 3

MULTINATIONAL TOP-UP TAX

CHAPTER 5

COVERED TAX BALANCE

Allocation of covered taxes

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 controlled foreign company 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).

(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

Status: This is the original version (as it was originally enacted).

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.

(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;

“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.