



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 3

MULTINATIONAL TOP-UP TAX

CHAPTER 5

COVERED TAX BALANCE

Dealing with deferred tax assets etc

[^{F1}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—

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Section 183A. (See end of Document for details)

- (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

- F1** [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\(5\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Section 183A.