



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

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—

Status: Point in time view as at 01/08/2023. This version of this provision has been superseded.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Section 187. (See end of Document for details)

- (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
 - (b) the amount which would cause the effective tax result of the standard members of the group in that territory to be 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 where [subsection \(5\)](#) applies).

- (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.

Status:

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