



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 3

MULTINATIONAL TOP-UP TAX

CHAPTER 5

COVERED TAX BALANCE

Eligible distribution tax systems: deemed taxes

192 Recalculation where member leaves the group

- (1) **This section** applies where—
 - (a) in an accounting period (“the relevant period”), a standard member of a multinational group (“D”) in a territory (“the relevant territory”)—
 - (i) leaves the group,
 - (ii) transfers all, or substantially all, of its assets to an entity who is not a member of the group or to an individual, or
 - (iii) transfers all, or substantially all, of its assets to a member of the group that is not located in the relevant territory, and
 - (b) the standard members (including D) of the group in the relevant territory (“the relevant members”) had, in previous accounting periods, one or more recapture amounts (each a “recapture period”).
- (2) Where **this section** applies, the following are to be recalculated for each recapture period—
 - (a) the effective tax rate for the relevant members, and
 - (b) the top-up amounts that those members would have in accordance with that recalculation.

Status: This is the original version (as it was originally enacted).

- (3) In recalculating that rate and those amounts for each of those periods, deduct the amount of each recapture amount that was outstanding in the period (after any reduction under [section 191](#) in that period) from the combined covered tax balance of those members for the period.
- (4) The relevant members have a special additional top-up tax amount under [this section](#) for the relevant period that is equal to the sum of the amounts given by—
 - (a) subtracting the amount of top-up amounts those members had for each recapture period from the sum of the top-up amounts those members would have for that period as recalculated under [subsection \(2\)\(b\)](#), and
 - (b) multiplying the result of [paragraph \(a\)](#) for each recapture period by the disposition recapture ratio for that period.
- (5) Subject to [subsections \(6\) and \(7\)](#), the disposition recapture ratio for an accounting period is the amount given by dividing—
 - (a) the adjusted profits of D in that period, by
 - (b) the result of Step 2 in [section 132\(1\)](#) for the relevant members for that period.
- (6) If either of the amounts described in [paragraph \(a\) or \(b\) of subsection \(5\)](#) is nil or less, the disposition recapture ratio is nil.
- (7) If (ignoring [this subsection](#)) the disposition recapture ratio would be greater than 1, it is to be treated as 1.
- (8) [Sections 206 and 207](#) include further provision about special additional top-up tax amounts under [this section](#).
- (9) Each of the amounts mentioned in [subsection \(10\)](#) for each affected period is to be treated, for the purposes of [this Part](#), as the amount given by multiplying—
 - (a) that amount, by
 - (b) the amount given by subtracting the disposition recapture ratio for that period from 1.
- (10) Those amounts are—
 - (a) the result of Step 2 in [section 132\(1\)](#) for those members for that period;
 - (b) the combined covered tax balance of the standard members of the group in the relevant territory;
 - (c) any recapture amount those members have in that affected period;
 - (d) the substance based income exclusion for that period for that territory.
- (11) An accounting period is an affected period if it is—
 - (a) a recapture period, or
 - (b) the relevant period and the standard members of the group in the territory have one or more recapture amounts in that period.