



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 3

MULTINATIONAL TOP-UP TAX

CHAPTER 6

CALCULATION OF TOP-UP AMOUNTS

[^{F1}197A Operating leases

- (1) Subsection (2) applies where—
 - (a) a member of a multinational group holds property located in the same territory as the member in an accounting period,
 - (b) that property is held for lease by the member, and
 - (c) the lease is accounted for in the underlying profits accounts of the member as an operating lease for that period.
- (2) The operating lease is to be regarded as an eligible tangible asset of the member for that period (despite the exclusion in section 197(7)(a)).
- (3) But where the property is not a short-term rental asset for that period, any carrying value of the operating lease recorded at the start or the end of the period is to be reduced by the right-of-use amount for the property at that time for the purposes of carrying out the calculation in section 197(1).
- (4) In a case where the lessee is a member of the same multinational group as the lessor, the right-of-use amount in relation to the property at the start or the end of the period is the carrying value of the lessee's right-of-use asset in relation to the property recorded at that time.
- (5) Where the lessee is not a member of the same multinational group as the lessor, the right-of-use amount in relation to the property at the start or end of the period is the undiscounted value of any outstanding payments under the lease at that time.

Status: Point in time view as at 22/02/2024.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Section 197A. (See end of Document for details)

- (6) In determining the value of those outstanding payments—
- (a) apply the accounting standard used in determining the underlying profits of the member,
 - (b) include the value of any outstanding payments that would be due under any extension to the lease that would fall to be accounted for in accordance with that standard.
- (7) For the purposes of this section, property held for lease is a short-term rental asset in an accounting period if—
- (a) the property was leased regularly during that period to different lessees, and
 - (b) the average length of the periods for which it was leased does not exceed 30 days.]

Textual Amendments

- F1** [S. 197A](#) 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. 25\(2\)](#)

Status:

Point in time view as at 22/02/2024.

Changes to legislation:

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