



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 4

DOMESTIC TOP-UP TAX

CHAPTER 3

APPLICATION OF MULTINATIONAL TOP-UP TAX PROVISIONS

[^{F1}273B Effect of becoming subject to Pillar Two rules

- (1) This section applies where the Pillar Two rules did not apply to a qualifying entity for one or more accounting periods (each a “pre-Pillar Two period”).
- (2) Where—
 - (a) the entity has a recaptured deferred tax liability arising as a result of section 184 (recaptured deferred tax liabilities),
 - (b) the initial period, in relation to that liability, is a pre-Pillar Two period, and
 - (c) the first accounting period in which the Pillar Two rules apply to the entity is earlier than the sixth accounting period after the initial period,section 184(2) (recalculation in initial period taking account of recaptured deferred tax liability) does not apply in relation to that recaptured deferred tax liability.
- (3) Where an election under section 187 (election for losses to be treated as special loss deferred tax assets) applied to the entity in a pre-Pillar Two period—
 - (a) the election ceases to have effect for the first accounting period in which the Pillar Two rules apply, and
 - (b) subsection (2)(b) of section 187 does not apply to prevent the making of an election under section 187 that applies to the entity and that has effect for that period, but

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Section 273B. (See end of Document for details)

- (c) no remaining amount of special loss deferred tax assets that arose in a pre-Pillar Two period may be used in that first accounting period or any subsequent accounting period.
- (4) Subsection (5) or (6) (as the case may be) applies where—
- (a) a deferred tax asset arises to the entity in a pre-Pillar Two period,
 - (b) section 185(7)—
 - (i) applies to that asset for the purposes of multinational top-up tax, or
 - (ii) would, ignoring subsection (5) below, apply to that asset for those purposes, and
 - (c) the asset is reflected in a collective additional amount for the purposes of domestic top-up tax.
- (5) Where—
- (a) an election has been made under section 205 (election to carry forward) in relation to the collective additional amount,
 - (b) the subtraction required by subsection (2)(a) of that section has not occurred in a pre-Pillar Two period,
- the amount to be subtracted as a result of that subsection is to be reduced by so much of that amount as reflects the asset.
- (6) Otherwise, section 185(7) does not apply to the asset for the purposes of multinational top-up tax to the extent it was reflected in a collective additional amount for the purposes domestic top-up tax.]

Textual Amendments

- F1** Ss. 273A, 273B 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. 45\(1\)](#)

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