

SCHEDULES

SCHEDULE 12

PILLAR TWO

PART 2

MULTINATIONAL TOP-UP TAX

Reallocation of tax expense

- 17 (1) In section 177 (permanent establishments), in subsection (1), after “establishment”, in the second place it occurs, insert “(and is to be regarded as qualifying current tax expense of the permanent establishment for the purposes of applying section 175(2)(a))”.
- (2) Section 178 (reallocation of tax expense) is amended as follows.
- (3) In subsection (1), in the words after paragraph (b) after “qualifying” insert “current”.
- (4) After subsection (1) insert—
- “(1A) Where—
- (a) a member of a multinational group has an amount of qualifying current tax expense,
- (b) that amount is in respect of profits not included in the member’s underlying profits, and
- (c) if those profits had been included in the member’s underlying profits, a corresponding amount of adjusted profits would have been allocated to another member of the group (“O”) under section 167 or 168,
- that qualifying current tax expense is to be allocated to O (and is to be regarded as qualifying current tax expense of O for the purposes of applying section 175(2)(a)).
- (1B) Section 175(2)(a) (exclusion of amounts relating to income or gains not included in adjusted profits) applies to an amount of qualifying current tax expense allocated in accordance with subsection (1) as if—
- (a) the reference to the member’s adjusted profits were to the adjusted profits of the member from whom the amount of qualifying current tax expense was allocated, and
- (b) profits allocated from that member to O under section 167 or 168 were not excluded from the adjusted profits of that member.”
- (5) In subsection (2), in the words before Step 1, after “O” insert “(under subsections (1) and (1A))”.

Status: This is the original version (as it was originally enacted).

(6) After subsection (4) insert—

“(5) Where an amount of qualifying current tax expense would have been allocated to O, but the amount allocated is limited as a result of subsection (2) the amount not allocated remains with the member from whom it otherwise would have been allocated.

(6) But if an amount would, ignoring this subsection, remain with the member from whom it would have otherwise been allocated, and that amount relates to income or gains that are not included in the adjusted profits of O, that amount is to be excluded from the covered tax balance of both the member and O.”

(7) In section 179 (controlled foreign company tax regimes)—

(a) after subsection (1) insert—

“(1A) Qualifying current tax expense allocated to F is to be regarded as qualifying current tax expense of F for the purposes of applying section 175(2)(a).”

(b) after subsection (3) insert—

“(3A) Where an amount of qualifying current tax expense would have been allocated to F but the amount allocated is limited as a result of subsection (2), the amount not allocated remains with C.

(3B) But if an amount would, ignoring this subsection, remain with C and that amount relates to income or gains that are not included in the adjusted profits of F, that amount is to be excluded from the covered tax balance of both C and F.”