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STATUTORY INSTRUMENTS

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**2005 No. 186**

**INCOME TAX**

**The Controlled Foreign Companies (Excluded Countries) (Amendment No. 2) Regulations 2005**

<i>Made</i>	- - - -	<i>1st February 2005</i>
<i>Laid before the House of Commons</i>	- - - -	<i>2nd February 2005</i>
<i>Coming into force</i>	- -	<i>31st March 2005</i>

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by section 748(1)(e) and (1A) of the Income and Corporation Taxes Act 1988(1), make the following Regulations:

**Citation, commencement and effect**

1. These Regulations may be cited as the Controlled Foreign Companies (Excluded Countries) (Amendment No. 2) Regulations 2005, shall come into force on 31st March 2005, and have effect in relation to accounting periods of companies resident outside the United Kingdom beginning on or after that date.

**Amendment of the Controlled Foreign Companies (Excluded Countries) Regulations 1998**

2.—(1) Amend regulation 4 of the Controlled Foreign Companies (Excluded Countries) Regulations 1998(2) (limitation on apportionment of chargeable profits of a controlled foreign company — conditions to be satisfied) as follows.

(2) Before paragraph (1) insert the following paragraphs—

“(A1) Paragraph (A2) specifies the condition which is required to be satisfied as respects an accounting period by a controlled foreign company, wherever it is resident in that accounting period.

(A2) The condition specified in this paragraph is that, during the accounting period, the company has not been involved in a scheme or arrangement the purpose, or one of the main purposes, of which is to achieve a reduction in United Kingdom tax.

In this paragraph—

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(1) 1988 c. 1. Section 748 was amended, and subsection (1A) inserted, by paragraph 3 of Schedule 17 to the Finance Act 1998  
(2) S.I. 1998/3081. There are amendments which are not relevant for present purposes.

“arrangement” means an arrangement of any kind, whether in writing or not; and  
“United Kingdom tax” means corporation tax or any tax chargeable as if it were corporation tax.”.

**Transitional provision**

3. Where an accounting period of a company resident outside the United Kingdom—

- (a) would, without amendment, have ended on or after 31st March 2005, but
- (b) is amended on or after that date so as end before that date,

an accounting period of the company shall, for the purposes of Controlled Foreign Companies (Excluded Countries) Regulations 1998, be treated as having ended on that date.

1st February 2005

*Ann Chant*  
*Helen Ghosh*  
Two of the Commissioners of Inland Revenue

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Controlled Foreign Companies (Excluded Countries) Regulations 1998 (S.I.1998/3081).

Regulation 1 provides for the citation and commencement of these Regulations.

Regulation 2 amends regulation 4 of the 1998 Regulations imposing an additional requirement in respect of all controlled foreign companies that they should not have been involved in a scheme or arrangements, the purpose, or one of the main purposes, of which is to obtain a reduction in United Kingdom tax.

Regulation 3 makes transitional provision in respect of accounting periods which would, in the ordinary course of events, end after the date on which these Regulations come into force.

These Regulations do not impose new costs on business.