

**2015 No. 662**

**CORPORATION TAX**

**The Tax Treatment of Financing Costs and Income (Change of Accounting Standards: Investment Entities) Regulations 2015**

<i>Made</i>	- - - -	<i>11th March 2015</i>
<i>Laid before the House of Commons</i>		<i>12th March 2015</i>
<i>Coming into force</i>	- -	<i>2nd April 2015</i>

The Treasury make the following Regulations in exercise of the powers conferred by section 353AA of the Taxation (International and Other Provisions) Act 2010<sup>(a)</sup>.

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Tax Treatment of Financing Costs and Income (Change of Accounting Standards: Investment Entities) Regulations 2015 and come into force on 2nd April 2015.

(2) These Regulations have effect in relation to—

- (a) any accounting period beginning on or after that date, and
- (b) any accounting period which begins before that date, or part of such an accounting period, which coincides with a period of account or part of a period of account for which a company adopts a relevant accounting change resulting from a change in accounting standards.

(3) For the purposes of paragraph (2)(b), “change in accounting standards” means—

- (a) in relation to a company which draws up its financial statements in accordance with international accounting standards, the amendments to paragraph 31 of International Financial Reporting Standard 10 issued by the International Accounting Standards Board on 31st October 2012, and
- (b) in relation to a company which draws up its financial statements in accordance with UK generally accepted accounting practice, the issue of paragraph 9.9 of Financial Reporting Standard 102 by the Financial Reporting Council on 13th March 2013.

**Amendment to Part 7 of the Taxation (International and Other Provisions) Act 2010**

2.—(1) Part 7 of the Taxation (International and Other Provisions) Act 2010 (tax treatment of financing costs and income) is amended as follows.

(2) After section 332A<sup>(b)</sup> insert—

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(a) 2010 c.8. Section 353AA inserted by section 31 of, and Schedule 5 to, the Finance Act 2012 c.14.  
(b) Section 332A inserted by section 11 of, and Schedule 5 to, the Finance (No.3) Act 2010 c.33.

**“332AA Change of accounting standards: investment entities**

(1) The available amount for a period of account of the worldwide group is treated as increased by an amount equal to any amount that falls within subsection (2).

(2) An amount falls within this subsection if—

(a) it is an expense that—

(i) is a financing expense amount of a UK group company that is taken into account in calculating the tested expense amount or the tested income amount for the period of account of the worldwide group, or

(ii) arises in the period of account to a member of the worldwide group that is not a UK group company; and

(b) the expense referred to in paragraph (a) would be taken into account in calculating the available amount for the period but for the operation of paragraph 31 of International Financial Reporting Standard 10 or paragraph 9.9 of Financial Reporting Standard 102.”

(3) In section 346 (financial statements of the worldwide group) after subsection (2) insert—

“(2A) But, where the effect of the operation of paragraph 31 of International Financial Reporting Standard 10 or paragraph 9.9 of Financial Reporting Standard 102 is that no consolidated financial statements are prepared, references to financial statements of the worldwide group are to the financial statements of the ultimate parent.”

(4) In section 348 (non-existent financial statements of the worldwide group) after subsection (5) insert—

“(5A) But, where the effect of the operation of paragraph 31 of International Financial Reporting Standard 10 is that financial statements of the group for a period drawn up in accordance with international accounting standards would not be consolidated financial statements, references in this section to IAS financial statements of the worldwide group for that period are to the financial statements of the ultimate parent drawn up in accordance with international accounting standards.”

*Mark Lancaster  
Harriett Baldwin*

11th March 2015

Two of the Lords Commissioners of Her Majesty’s Treasury

**EXPLANATORY NOTE**

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

These Regulations amend Part 7 of the Taxation (International and Other Provisions) Act 2010, which makes provision about the tax treatment of financing costs and income for periods of account of a worldwide group.

Regulation 1 provides for citation, commencement and effect. Authority for the potential retrospective effect is given by section 353AA(5) of the Taxation (International and Other Provisions) Act 2010.

Regulation 2(2) inserts a new section 332AA into Part 7. That section applies to investment entities that, owing to changes in accounting standards, do not consolidate one or more group companies. As a consequence, UK group companies may include a financing expense in the calculation of the tested expense amount or tested income amount that is not included in the available amount of the worldwide group. In addition expenses that arise to members of the worldwide group that are not UK group companies may no longer be included in the calculation of the available amount. Section 332AA provides for the available amount to be treated as increased by an amount equal to either the financing expense amount or, in the case of a non-UK group company, the expense arising to it.

Regulation 2(3) inserts a new subsection (2A) into section 346. That subsection provides for a situation where, owing to changes in accounting standards, a group does not prepare consolidated financial statements. The subsection provides that references to the financial statements of the worldwide group should be read as references to the financial statements of the ultimate parent.

Regulation 2(4) inserts a new subsection (5A) into section 348. That subsection provides for a situation where, as a consequence of a change in accounting standards, the IAS financial statements of a worldwide group would not be consolidated financial statements. The subsection provides that references in section 348 to the IAS financial statements of the group are to be read as references to the financial statements of the ultimate parent.

A Tax Information and Impact Notice will be published on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>.

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