



Taxation (International and Other Provisions) Act 2010

2010 CHAPTER 8

PART 2

DOUBLE TAXATION RELIEF

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DOUBLE TAXATION RELIEF BY WAY OF CREDIT

^{F1}Adjustment of foreign tax on profits of overseas permanent establishment

Textual Amendments

- F1** Ss. 71A, 71B and cross-heading inserted (with effect in accordance with s. 30(5)(7) of the amending Act) by [Finance Act 2018 \(c. 3\)](#), [s. 30\(2\)](#)

71A Circumstances in which section 71B applies

- (1) Section 71B has effect in relation to an accounting period of a company resident in the United Kingdom which has an overseas permanent establishment (“the PE”) if, in that or any earlier accounting period, condition A or B is met.
- (2) Condition A is met in relation to an accounting period if, for the purposes of any tax chargeable under the law of the PE territory—
 - (a) a loss or other amount attributable to the PE is deducted from or otherwise allowed against amounts of any person other than the company, and
 - (b) as a result, there is a decrease in the tax chargeable in respect of a foreign taxable period ending in the accounting period.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Cross Heading: Adjustment of foreign tax on profits of overseas permanent establishment. (See end of Document for details)

- (3) Condition B is met in relation to an accounting period if—
- (a) tax is chargeable under the law of the PE territory in respect of the aggregate profits, or aggregate profits or gains, of the PE and persons other than the company,
 - (b) a loss or other amount attributable to the PE is deducted from or otherwise allowed against, or is brought into account as a deduction or other allowance in calculating, amounts other than amounts of the PE, and
 - (c) as a result, there is a decrease in the tax chargeable in respect of a foreign taxable period ending in the accounting period.
- (4) In this section—
- “foreign taxable period” means any period in respect of which the tax in question is chargeable under the law of the PE territory, and
- “the PE territory” means the territory in which the PE is situated.

71B Reduction of foreign tax paid on profits of overseas PE

- (1) For the purposes of allowing credit relief under this Part, the amount of foreign tax paid in respect of the company's qualifying income from the PE in the accounting period is reduced (but not below nil) by the relevant amount for that period.
- (2) In calculating any amount chargeable to corporation tax, any deduction for an amount of foreign tax paid in respect of the company's qualifying income from the PE in the accounting period is reduced (but not below nil) by the relevant amount for that period.
- (3) In this section “the relevant amount” for the accounting period means the total of—
 - (a) the amount of the decrease in the tax chargeable in respect of a foreign taxable period ending in the accounting period (if the accounting period is one in relation to which condition A or B in section 71A is met), and
 - (b) any excess tax carried forward to the accounting period.
- (4) For this purpose excess tax is carried forward to the accounting period so far as the relevant amount for the previous accounting period exceeds the amount of foreign tax paid in respect of the company's qualifying income from the PE in that previous period.
- (5) In determining the relevant amount, a deduction or allowance of the kind referred to in condition A or B in section 71A is to be ignored if it results in a deduction or other allowance that is reduced under section 259JC (counteraction where mismatch arises because of a relevant multinational and the UK is the parent jurisdiction).
- (6) If, for any accounting period, it becomes necessary for the relevant amount to be reduced or increased, an adjustment may be made (whether or not by an officer of Revenue and Customs)—
 - (a) by way of an assessment, the modification of an assessment, amendment or disallowance of a claim, or otherwise, and
 - (b) despite any time limit imposed by or under any enactment.
- (7) In this section “the company's qualifying income from the PE” means the profits of the PE which are profits chargeable under Chapter 2 of Part 3 of CTA 2009 of a trade carried on partly, but not wholly, outside the United Kingdom.]

Changes to legislation:

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