

*These notes refer to the Taxation (International and Other Provisions)
Act 2010 (c.8) which received Royal Assent on 18 March 2010*

TAXATION (INTERNATIONAL AND OTHER PROVISIONS) ACT 2010

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 7: Tax treatment of financing costs and income

Chapter 2: Application of Part

Overview

538. This Chapter sets out the “gateway” conditions to be applied by reference to a comparison of the consolidated gross debt of the worldwide group with the aggregate figure of net debt of the UK group companies. If this condition is met for any given period of account of the worldwide group then the United Kingdom members of the group are not subject to the remaining Chapters of this Part.

Section 261: Application of Part

539. This section sets the condition for application of the Part based on the amount of the worldwide group’s debt. The Part applies if the United Kingdom net debt of the group exceeds 75% of the worldwide gross debt of the group. The section is based on paragraph 2 of Schedule 15 to FA 2009.

Section 262: UK net debt of worldwide group for period of account of worldwide group

540. This section defines “UK net debt” for the purposes of section 261. It is based on paragraph 3 of Schedule 15 to FA 2009.

Section 263: Net debt of a company

541. This section defines the “net debt” of a relevant group company at any particular time as the company’s debt liabilities less its liquid assets taken from the company’s balance sheet. It is based on paragraph 4 of Schedule 15 to FA 2009.

Section 264: Worldwide gross debt of worldwide group for period of account of the group

542. This section defines “worldwide gross debt”. It is based on paragraph 5 of Schedule 15 to FA 2009.

Section 265: References to amounts disclosed in balance sheet of relevant group company

543. This section explains what is meant by references to amounts disclosed in the balance sheet of a relevant group company. It is based on paragraph 6 of Schedule 15 to FA 2009.

Section 266: Qualifying financial services groups

544. This section gives the meaning of “qualifying financial services group”. It is based on paragraph 7 of Schedule 15 to FA 2009.

Section 267: Qualifying activities

545. This section provides the list of activities that are to be regarded as “qualifying activities”. It is based on paragraph 8 of Schedule 15 to FA 2009.

Section 268: Lending activities and activities ancillary to lending activities

546. This section defines “lending activities” and “activities that are ancillary to lending activities”. It is based on paragraph 9 of Schedule 15 to FA 2009.

Section 269: Insurance activities and insurance-related activities

547. This section defines “insurance activities” and “insurance-related activities”. It is based on paragraph 10 of Schedule 15 to FA 2009.

Section 270: Relevant dealing in financial instruments

548. This section gives the meaning of the phrase “relevant dealing in financial instruments” in section 267. It is based on paragraph 11 of Schedule 15 to FA 2009.

Section 271: UK trading income of the worldwide group

549. This section explains how UK trading income of the worldwide group is calculated for the purposes of section 266. It is based on paragraph 12 of Schedule 15 to FA 2009.

Section 272: Worldwide trading income of the worldwide group

550. This section explains how the worldwide trading income of the worldwide group is calculated for the purposes of section 266. It is based on paragraph 13 of Schedule 15 to FA 2009.

Section 273: Foreign currency accounting

551. This section provides that if an amount disclosed in balance sheets at any given date is expressed in a currency other than sterling, then the amount must be translated into sterling by reference to the spot rate at that date. It is based on paragraph 14 of Schedule 15 to FA 2009.

552. Paragraphs 14(3)(b) and (4) of Schedule 15 to FA 2009 refer to the £3 million minimum limit in paragraph 3(3) of that Schedule. The figure in paragraph 3(3) of Schedule 15 to FA 2009 may be amended by Treasury order under paragraph 3(5) of that Schedule. The order does not allow an amendment to paragraph 14(3)(b) and (4) but *subsections (3)(b) and (4)* of this section, which rewrite those sub-paragraphs, have been rewritten to allow the amount specified in section 263(3), which rewrites paragraph 3(3) of Schedule 15 to FA 2009, to apply to subsections (3) and (4) of this section whether or not amended by Treasury order.