



Taxation (International and Other Provisions) Act 2010

2010 CHAPTER 8

[^{F1}PART 10]

[^{F1}CORPORATE INTEREST RESTRICTION]

[^{F1}CHAPTER 1]

[^{F1}INTRODUCTION]

Textual Amendments

- F1** Pt. 10: the existing Pt. 10 renumbered as Pt. 11 (except for ss. 375, 376 which are repealed), the existing ss. 372-374, 377-382 renumbered as ss. 499-507 and a new Pt. 10 (ss. 372-498) inserted (with effect in accordance with [Sch. 5 para. 25\(1\)-\(3\)](#) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 5 para. 1](#), [10\(1\)\(2\)\(a\)\(3\)](#) (with [Sch. 5 paras. 27, 32-34](#))

[^{F1}372 Overview

- (1) This Part contains provision that—
 - (a) disallows certain amounts that a company would (apart from this Part) be entitled to bring into account for the purposes of corporation tax in respect of interest and other financing costs, and
 - (b) allows certain amounts disallowed under this Part in previous accounting periods to be brought into account in later accounting periods.
- (2) In this Chapter—
 - (a) section 373 defines some key concepts including, in particular, “the total disallowed amount” in relation to a period of account of a worldwide group, and

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- (b) section 374 provides for Schedule 7A to have effect.
- (3) Chapter 2 provides for—
- (a) the disallowance in certain circumstances of tax-interest expense amounts of companies that are members of a worldwide group, and
 - (b) the carrying forward of disallowed tax-interest expense amounts, and for bringing those amounts into account in certain circumstances in relation to a later period of account of the worldwide group.
- (4) Chapter 3—
- (a) defines “a tax-interest expense amount” and “a tax-interest income amount” of a company for a period of account of a worldwide group, which are amounts that are (or apart from this Part would be) brought into account for the purposes of corporation tax,
 - (b) defines “the net tax-interest expense” of a company for a period of account of a worldwide group, which is any excess of the company's tax-interest expense amounts for the period over its tax-interest income amounts for the period,
 - (c) defines “the net tax-interest income” of a company for a period of account of a worldwide group, which is any excess of the company's tax-interest income amounts for the period over its tax-interest expense amounts for the period, and
 - (d) defines “aggregate net tax-interest expense” and “aggregate net tax-interest income” of a worldwide group for a period of account of the worldwide group, which are made up of each member of the group's net tax-interest expense or net tax-interest income for the period.
- (5) Chapter 4 contains provision about the calculation of “the interest capacity” of a worldwide group for a period of account of the group, which is the aggregate of the interest allowance for the period and any unused interest allowance of the group from the previous 5 years (or, if that aggregate is less than the de minimis amount, the de minimis amount).
- (6) Chapter 5 makes provision about the calculation of “the interest allowance” of a worldwide group for a period of account of the group.
- The interest allowance for a period of account is calculated using the fixed ratio method unless the group elects for the group ratio method to be used for the period.
- (7) Chapter 6 defines concepts used in Chapter 5 including—
- the “tax-EBITDA” of a company for a period of account of a worldwide group (which is an amount derived from amounts brought into account for the purposes of corporation tax);
 - the “aggregate tax-EBITDA” of a worldwide group for a period of account of the group (which is an amount derived from the tax-EBITDA of members of the group).
- (8) Chapter 7 defines additional concepts used in Chapter 5 including—
- “the net group-interest expense”, “the adjusted net group-interest expense” and “the qualifying net group-interest expense” of a worldwide group for a period of account of the group (which are amounts derived from the financial statements of the worldwide group);

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the “group-EBITDA” of the worldwide group for a period of account of the group (which is an amount derived from the financial statements of the worldwide group).

- (9) Chapter 8 contains provision altering the way in which this Part has effect in relation to the provision of public infrastructure assets or the carrying on of certain other related activities.
- (10) Chapter 9 contains special provision altering the operation of certain provisions of this Part in relation to—
 - (a) particular types of company (for example, banking companies, companies carrying on oil-related activities, REITs or insurance companies), or
 - (b) particular types of transaction or accounting (for example, long funding operating leases or fair value accounting).
- (11) Chapter 10 contains rules connected with tax avoidance.
- (12) Chapter 11 contains the remaining interpretative and supplementary provision, including definitions of—
 - “related party”;
 - “a worldwide group”;
 - “ultimate parent”;
 - “period of account” of a worldwide group.]

[^{F1}373 Meaning of “subject to interest restrictions”, “the total disallowed amount” etc

- (1) A worldwide group is “subject to interest restrictions” in a period of account of the group if—
 - (a) the aggregate net tax-interest expense of the group for the period (see section 390), exceeds
 - (b) the interest capacity of the group for the period (see section 392).
- (2) “The total disallowed amount” of a worldwide group in a period of account of the group is—
 - (a) if the group is subject to interest restrictions in the period, the amount of the excess mentioned in subsection (1);
 - (b) otherwise, nil.
- (3) “The interest reactivation cap” of a worldwide group in a period of account of the group is (subject to subsection (4))—
 - (a) the interest allowance of the group for the period (see section 396), less
 - (b) the aggregate net tax-interest expense of the group for the period.
- (4) If the amount determined under subsection (3) is a negative amount, the interest reactivation cap of the worldwide group in the period is nil.
- (5) A worldwide group is “subject to interest reactivations” in a period of account of the group if—
 - (a) the interest reactivation cap of the group in the period is not nil, and
 - (b) at least one member of the group is within the charge to corporation tax at any time during the period, and has an amount available for reactivation in the return period that is not nil (see paragraph 26 of Schedule 7A).

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(6) This section has effect for the purposes of this Part.]

[^{F1}374 Interest restriction returns

- (1) Schedule 7A makes provision about—
 - (a) the preparation and submission of interest restriction returns by reporting companies of worldwide groups, and
 - (b) other related matters such as enquiries and information powers.
- (2) Part 1 of that Schedule includes provision—
 - (a) for the appointment of a reporting company of a worldwide group for a period of account, but
 - (b) for companies (“non-consenting companies”) to elect to be unaffected by allocations of interest restrictions made by the company.
- (3) Part 2 of that Schedule includes provision—
 - (a) for various elections to be made in an interest restriction return that are relevant to the operation of this Part (for example, the group ratio election),
 - (b) entitling the reporting company of a worldwide group to allocate interest restrictions among its members but with a rule that allocates a pro-rata share to a non-consenting company, and
 - (c) entitling the reporting company of a worldwide group to allocate interest reactivations among its members.
- (4) The remaining Parts of that Schedule contain provision about—
 - (a) the keeping and preservation of records (see Part 3),
 - (b) enquiries into interest restriction returns (see Part 4),
 - (c) determinations made by officers of Revenue and Customs in the event of the breach of filing or other obligations (see Part 5),
 - (d) information powers exercisable by members of the group (see Part 6),
 - (e) information powers exercisable by officers of Revenue and Customs (see Part 7), and
 - (f) the amendment of company tax returns to reflect the effect of this Part of this Act and supplementary matters (see Parts 8 and 9).]

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