



Taxation (International and Other Provisions) Act 2010

2010 CHAPTER 8

[^{F1}PART 9A

CONTROLLED FOREIGN COMPANIES

[^{F1}CHAPTER 12

THE LOW PROFITS EXEMPTION

Textual Amendments

F1 Pt. 9A inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 20 para. 1](#) (with [ss. 56-58](#))

371LA Introduction to Chapter

This Chapter sets out an exemption called “the low profits exemption” for the purposes of section 371BA(2)(b).

371LB The basic rule

- (1) The low profits exemption applies for a CFC's accounting period if subsection (2), (3), (4) or (5) applies.
- (2) This subsection applies if the CFC's accounting profits for the accounting period are no more than £50,000.
- (3) This subsection applies if the CFC's assumed taxable total profits for the accounting period are no more than £50,000.
- (4) This subsection applies if—

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Chapter 12. (See end of Document for details)

- (a) the CFC's accounting profits for the accounting period are no more than £500,000, and
 - (b) the amount of those profits representing non-trading income is no more than £50,000.
- (5) This subsection applies if—
- (a) the CFC's assumed taxable total profits for the accounting period are no more than £500,000, and
 - (b) the amount of those profits representing non-trading income is no more than £50,000.
- (6) If the accounting period is less than 12 months, the amounts specified in subsections (2), (3), (4)(a) and (b) and (5)(a) and (b) are to be reduced proportionately.

371LC Anti-avoidance

- (1) The low profits exemption does not apply for a CFC's accounting period (“the relevant accounting period”) if condition A or B is met.
- (2) Condition A is that—
- (a) an arrangement is entered into at any time,
 - (b) in consequence of the arrangement, the low profits exemption would (apart from this section) apply for the relevant accounting period, and
 - (c) the main purpose, or one of the main purposes, of the arrangement is to secure that the low profits exemption applies—
 - (i) for the relevant accounting period, or
 - (ii) for that period and one or more other accounting periods of the CFC.
- (3) Condition B is that, at any time during the relevant accounting period, the CFC's business is, wholly or mainly, the provision of UK intermediary services.
- (4) For the purposes of subsection (3) the CFC provides “UK intermediary services” if—
- (a) a UK resident individual (“the service provider”) personally performs, or is under an obligation personally to perform, services in the United Kingdom for a person (“the client”), and
 - (b) the services are provided not under a contract directly between the service provider and the client but under an arrangement involving the CFC.
- (5) The low profits exemption does not apply for a CFC's accounting period by virtue of section 371LB(2) or (4) if condition C is met.
- (6) Condition C is that, in determining the CFC's assumed taxable total profits for the accounting period, Part 21B of CTA 2010 (group mismatch schemes) has effect so as to exclude an amount from being brought into account as a debit or credit for the purposes of Part 5 of CTA 2009 (loan relationships) or Part 7 of that Act (derivative contracts).]

Changes to legislation:

There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Chapter 12.