



Taxation (International and Other Provisions) Act 2010

2010 CHAPTER 8

[^{F1}PART 9A

CONTROLLED FOREIGN COMPANIES

[^{F1}CHAPTER 13

THE LOW PROFIT MARGIN EXEMPTION

Textual Amendments

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

Modifications etc. (not altering text)

C1 Pt. 9A Chs. 11-14 applied (with modifications) by 2009 c. 4, s. 18I-18ID (as substituted (with effect in accordance with Sch. 20 para. 55(2) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 20 para. 6](#))

371MA Introduction to Chapter

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

371MB The basic rule

- (1) The low profit margin exemption applies for a CFC's accounting period if the CFC's accounting profits for the period are no more than 10% of the CFC's relevant operating expenditure.

Status: Point in time view as at 17/07/2012.

Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Chapter 13. (See end of Document for details)

- (2) In this section references to the CFC's accounting profits are to those profits as determined before any deduction for interest.
- (3) The CFC's "relevant operating expenditure" is its operating expenditure brought into account in determining its accounting profits for the accounting period, excluding—
 - (a) the cost of goods purchased by the CFC, other than goods used by the CFC in the territory in which it is resident for the accounting period, and
 - (b) any expenditure which gives rise, directly or indirectly, to income of a person related to the CFC.

371MC Anti-avoidance

The low profit margin exemption does not apply for a CFC's accounting period ("the relevant accounting period") if—

- (a) an arrangement is entered into at any time,
- (b) in consequence of the arrangement, the low profit margin 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 profit margin exemption applies—
 - (i) for the relevant accounting period, or
 - (ii) for that period and one or more other accounting periods of the CFC.]

Status:

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Changes to legislation:

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