



# Taxation (International and Other Provisions) Act 2010

## 2010 CHAPTER 8

### [<sup>F1</sup>PART 9A

#### CONTROLLED FOREIGN COMPANIES

#### CHAPTER 4

##### THE CFC CHARGE GATEWAY: PROFITS ATTRIBUTABLE TO UK ACTIVITIES

#### [<sup>F1</sup>371DH] **Exclusion: trading profits (income condition)**

- (1) This section applies for the purposes of section 371DF(1)(b).
- (2) The income condition is met if no more than 20% of the CFC's relevant trading income derives (directly or indirectly) from—
  - (a) UK resident persons, or
  - (b) UK permanent establishments of non-UK resident companies.
- (3) For the purposes of subsection (2) the CFC's “relevant trading income” is its trading income, excluding any income arising from the sale in the United Kingdom of goods produced by the CFC in the territory in which it is resident for the accounting period.
- (4) Subsection (5) applies instead of subsection (2) if, at any time during the accounting period, the CFC's main business is banking business in relation to which the CFC is regulated in the territory in which it is resident for the accounting period.
- (5) The income condition is met if the CFC's relevant UK trading income is no more than 10% of the CFC's trading income.
- (6) The CFC's “relevant UK trading income” is its trading income so far as it derives (directly or indirectly) from—
  - (a) UK resident persons, or

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**Changes to legislation:** *There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Section 371DH. (See end of Document for details)*

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- (b) UK permanent establishments of non-UK resident companies, but excluding interest received from UK resident companies which are connected or associated with the CFC.
- (7) Neither subsection (2)(a) nor subsection (6)(a) covers income deriving (directly or indirectly) from a UK resident company if—
- (a) the company has made an election under section 18A of CTA 2009 (exemption for profits or losses of foreign permanent establishments), and
  - (b) an expense corresponding to the income is brought into account for the purpose of determining any exemption adjustment in relation to the company under that section.]

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**Textual Amendments**

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

**Changes to legislation:**

There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, Section 371DH.