

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 113: “Accounting Period” and “Corresponding Accounting Period”

Summary

1. This section defines what is meant by an “accounting period”, “accounting periods”, or “corresponding accounting period”; and treats a non-UK resident company as having accounting periods under certain conditions.

Details of the Section

2. Subsection (1) provides that references to an accounting period of a company mean the accounting period of the company for the purposes of corporation tax.
3. Subsection (2) sets out conditions that must be met for subsection (3) to apply to a non-UK resident company which is not within the charge to corporation tax.
4. Subsection (3) sets out that if the conditions in subsection (2) are met, the company is treated as having such accounting periods for corporation tax purposes as it would have had if it carried on a trade in the UK through a permanent establishment in the UK, by reason of the activity of the avoided PE, as that term is used in section 86.
5. Subsection (4) supplements the conditions set out in subsection (3).
6. Subsection (5) allows a designated HM Revenue & Customs officer to determine the accounting periods of a non-UK resident company to the best of the officer’s information and belief, where there is insufficient information to identify the accounting periods in accordance with subsection (2).
7. Subsection (6) defines the corresponding accounting period.

Background Note

8. The diverted profits tax is a new charge on diverted profits. The main objective is to counteract contrived arrangements used by large groups (typically multinational enterprises) that result in the erosion of the UK tax base.