

*These notes refer to the Finance Act 2015 (c.11)
which received Royal Assent on 26 March 2015*

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 83: Section 80 Or 81 Cases Where No Taxable Diverted Profits Arise

Summary

1. This section describes the circumstances in which no taxable profits arise in an accounting period to a company to which sections 80 or 81 apply. The actual provision condition, as defined in section 82, has to be met. There are two further tests, either of which have to be met; which are that there are no diverted profits of the company for the accounting period or the “full transfer pricing adjustment” (as defined) has been made.

Details of the Section

2. Subsection (1) sets out the tests that determine whether section 83 applies. The “actual provision condition” in subsection (1)(a) has to be met. This is defined in subsection (7) of section 82. Either of the other two tests in subsection (1)(b) also needs to be met. These are that there are no diverted profits of the company for the accounting period, or the “full transfer pricing adjustment” has been made. This is defined in subsection (3).
3. Subsection (2) defines what is meant by “diverted profits”.
4. Subsection (3) describes the circumstances in which the full transfer pricing adjustment is made in the accounting period.

Background Note

5. 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.