



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 5

#### GROUP RELIEF

### CHAPTER 6

#### EQUITY HOLDERS AND PROFITS OR ASSETS AVAILABLE FOR DISTRIBUTION

*Company's entitlement to profits or assets available for distribution: supplementary*

#### **169 Application and interpretation of sections 170 to 182**

(1) Sections 170 to 182 apply for the purpose of determining the proportion of profits or assets to which company A would be beneficially entitled as mentioned in section 165(2) or 166(2) at any time.

(2) In those sections—

[<sup>F1</sup>“arrangements”—

- (a) means arrangements of any kind (whether or not in writing), but
- (b) does not include a condition or requirement imposed by, or agreed with, a Minister of the Crown, the Scottish Ministers, a Northern Ireland department or a statutory body,]

“company A's proportion” means the proportion of profits or assets to which company A would be beneficially entitled as mentioned in section 165(2) or 166(2) at the relevant time,

“distribution rights” means rights in relation to dividends or interest or assets on a winding up,

“the participating equity holders”, in relation to the determining of company A's proportion, means the equity holders of company B—

- (a) to whom the profit distribution would be made, or
- (b) who would be entitled to participate in the notional winding up, and

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“the relevant time” means the time mentioned in subsection (1) when the beneficial entitlement of company A is to be determined.

[<sup>F2</sup>(3) In subsection (2) “statutory body” means a body (other than a company as defined by section 1(1) of the Companies Act 2006) established by or under a statutory provision for the purpose of carrying out functions conferred on it by or under a statutory provision, except that the Treasury may, by order, specify that a body is or is not to be a statutory body for this purpose.]

#### Textual Amendments

- F1** Words in s. 169(2) substituted (with effect in accordance with s. 40(4) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 40\(2\)\(a\)](#)
- F2** S. 169(3) inserted (with effect in accordance with s. 40(4) of the amending Act) by [Finance Act 2014 \(c. 26\), s. 40\(2\)\(b\)](#)

#### Modifications etc. (not altering text)

- C1** [Pt. 5 Ch. 6](#) applied in part (with effect in accordance with s. 51 of the amending Act) by [Finance Act 2022 \(c. 3\), s. 50\(2\)\(3\)](#)
- C2** [Pt. 5 Ch. 6](#) applied (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by [Finance Act 2022 \(c. 3\), Sch. 10 para. 6\(2\)](#) (as amended (5.1.2023) by [The Finance Act 2022, Schedule 10 \(Public Interest Business Protection Tax\) \(Substitution of Date\) Regulations 2022 \(S.I. 2022/1321\)](#), regs. 1, [2\(2\)](#))
- C3** [Pt. 5](#) applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\), Sch. 2 para. 47\(4\)](#)
- C4** [Ss. 169-178](#) applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\), Sch. 2 para. 5\(4\)](#) (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 4 para. 10](#))

## 170 Shares or securities with limited rights

- (1) This section applies if, at the relevant time, one or more of the participating equity holders holds, as such, shares or securities with distribution rights that are limited (wholly or partly) by reference to a specified amount or amounts.
- (2) Determine what company A's proportion would be if all those distribution rights were waived so far as they are so limited.  
 The result is referred to as “the alternative proportion”.
- (3) If the alternative proportion is less than what company A's proportion would be ignoring this section, then company A's proportion is taken to be the alternative proportion.
- (4) Subsection (3) is subject to sections 175, 176, 178 and 180.
- (5) For the purposes of subsection (1) a limitation on a right may operate—
  - (a) by specifying the capital or amount of profits by reference to which a distribution is calculated, or
  - (b) in any other way.
- (6) But in a case to which section 180 applies (see section 179), limitations that are covered by Case 1 in section 179 are ignored for the purposes of subsection (1).

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**Modifications etc. (not altering text)**

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), [Sch. 2 para. 5\(4\)](#) (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 10](#))
- C5** S. 170(3) applied (with modifications) (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 10 para. 6\(3\)\(a\)](#) (as amended (5.1.2023) by [The Finance Act 2022, Schedule 10 \(Public Interest Business Protection Tax\) \(Substitution of Date\) Regulations 2022 \(S.I. 2022/1321\)](#), regs. 1, [2\(2\)](#))

## 171 Shares or securities with temporary rights

- (1) Section 172 applies if, at the relevant time, one or more of the participating equity holders holds, as such, shares or securities—
- (a) which have rights within subsection (2), or
  - (b) in relation to which arrangements within subsection (3) are in place.
- (2) The rights within this subsection are distribution rights of such a kind that if—
- (a) the profit distribution were to be made, or
  - (b) the notional winding up were to occur,
- at a time after the relevant accounting period, the equity holder's entitlement at that time would be different from the equity holder's entitlement at the relevant time.
- (3) The arrangements within this subsection are arrangements of such a kind that if—
- (a) effect were to be given to the arrangements, and
  - (b) the profit distribution were to be made, or the notional winding up were to occur, at a time after the relevant accounting period,
- then, as a result of effect being given to the arrangements, the equity holder's entitlement at that time would be different from the equity holder's entitlement at the relevant time.
- (4) The references in subsections (2) and (3) to the equity holder's entitlement at a time are references to the proportion to which the equity holder would be beneficially entitled (as the case may be)—
- (a) of profits on the profit distribution if it were made at that time, or
  - (b) of assets on the notional winding up if it occurred at that time.

**Modifications etc. (not altering text)**

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), [Sch. 2 para. 5\(4\)](#) (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 10](#))

## 172 Company A's proportion if shares etc have temporary rights

- (1) If this section applies, determine what company A's proportion would be if the rights of all participating equity holders at the relevant time were the same as what they would be at the relevant future time.

The result is referred to as “the alternative proportion”.

- (2) For the purposes of subsection (1)—

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- (a) “the relevant future time” means the time after the relevant accounting period mentioned in subsection (2) or (3) of section 171 (as the case may be), and
  - (b) assume that effect is given to all arrangements (if any) within subsection (3) of that section.
- (3) If the alternative proportion is less than what company A's proportion would be ignoring this section, then company A's proportion is taken to be the alternative proportion.
- (4) Subsection (3) is subject to sections 175, 177, 178 and 180.

**Modifications etc. (not altering text)**

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), [Sch. 2 para. 5\(4\)](#) (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 10](#))
- C6** [S. 172\(3\)](#) applied (with modifications) (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 10 para. 6\(3\)\(a\)](#) (as amended (5.1.2023) by [The Finance Act 2022, Schedule 10 \(Public Interest Business Protection Tax\) \(Substitution of Date\) Regulations 2022 \(S.I. 2022/1321\)](#), regs. 1, [2\(2\)](#))

### 173 Cases in which option arrangements are in place

- (1) Section 174 applies if option arrangements are in place at the relevant time.
- (2) “Option arrangements” means arrangements in relation to which conditions A and B are met [<sup>F3</sup>(but see sections 174A and 174B)].
- (3) Condition A is that the effect of the arrangements is that there could be a change in—
- (a) the proportion of profits to which any of the participating equity holders would be beneficially entitled on the profit distribution if it were made at a time after the relevant time, or
  - (b) the proportion of assets to which any of the participating equity holders would be beneficially entitled on the notional winding up if it occurred at a time after the relevant time.
- (4) Condition B is that, under the arrangements, the change could result from the exercise of—
- (a) a right to acquire ordinary shares in company B (see section 160) or securities in company B, or
  - (b) a right to require a person to acquire such shares or securities.
- (5) For the purposes of subsection (4)—
- (a) it does not matter whether or not the shares or securities were issued before the arrangements were put in place,
  - (b) “right” does not include a right within subsection (6), and
  - (c) “securities” does not include normal commercial loans (as defined by section 162).
- (6) A right is within this subsection if it—
- (a) is a right of an individual to acquire shares,
  - (b) was obtained because of the individual's office or employment as a director or employee of company B, and

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- (c) was obtained in accordance with a share option scheme at a time when the scheme was an approved share option scheme.

(7) In subsection (6)(c)—

“share option scheme” means—

- (a) an SAYE option scheme within the meaning of the SAYE code (see section 516(4) of ITEPA 2003), or  
(b) a CSOP scheme within the meaning of the CSOP code (see section 521(4) of ITEPA 2003), and

“approved” means—

- (a) in relation to an SAYE option scheme, approved under Schedule 3 to ITEPA 2003, and  
(b) in relation to a CSOP scheme, approved under Schedule 4 to ITEPA 2003.

#### Textual Amendments

- F3** Words in s. 173(2) inserted (with effect in accordance with art. 15 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2012 \(S.I. 2012/266\)](#), arts. 1, **14(2)**

#### Modifications etc. (not altering text)

- C4** [Ss. 169-178](#) applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), **Sch. 2 para. 5(4)** (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **Sch. 4 para. 10**)

## 174 Company A's proportion if option arrangements in place

(1) If this section applies, take the following steps.

### *Step 1*

Identify all option rights under the option arrangements (or sets of arrangements if more than one) which exist at the relevant time but which have not become effective at or before that time. “Option rights” means rights of the kind mentioned in section 173(4)(a) or (b), and such a right becomes “effective” when the shares or securities to which it relates are acquired as a result of its exercise.

### *Step 2*

Identify each possible state of affairs that could subsist at the relevant time if the option rights identified at Step 1, or any of them or any combination of them, became effective at that time. For this purpose it does not matter if an option right cannot actually become effective at or before the relevant time.

### *Step 3*

Take each state of affairs identified at Step 2 and—

- (a) identify what the rights and duties of the participating equity holders would be at the relevant time if the state of affairs were to subsist at that time, and  
(b) determine what company A's proportion would be if those rights and duties were the rights and duties of the participating equity holders at the relevant time.

### *Step 4*

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Identify the lowest proportion determined under paragraph (b) of Step 3. That proportion is referred to as “the alternative proportion”.

- (2) If the alternative proportion is less than what company A's proportion would be ignoring this section, then company A's proportion is taken to be the alternative proportion.
- (3) Subsection (2) is subject to sections 176 to 178 and 180.

**Modifications etc. (not altering text)**

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), [Sch. 2 para. 5\(4\)](#) (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 10](#))
- C7** S. 174 applied (with modifications) (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 10 para. 6\(3\)\(b\)](#) (as amended (5.1.2023) by [The Finance Act 2022, Schedule 10 \(Public Interest Business Protection Tax\) \(Substitution of Date\) Regulations 2022 \(S.I. 2022/1321\)](#), regs. 1, [2\(2\)](#))

**[<sup>F4</sup>174A Certain option arrangements not within section 173**

- (1) Arrangements entered into by a joint venture company which, apart from this section, would be option arrangements within section 173 are not to be treated as such arrangements if and so long as—
  - (a) the arrangements are within subsection (2), and
  - (b) none of the contingencies mentioned in subsection (3) to which the arrangements relate has occurred.
- (2) Arrangements are within this subsection if they are—
  - (a) an agreement which provides for the transfer of shares or securities in the joint venture company to one or more members of that company on, or as a result of, one or more contingencies mentioned in subsection (3) occurring, or
  - (b) a provision in a constitutional document of the joint venture company which provides for the suspension of a member's voting rights on, or as a result of, one or more of those contingencies occurring.
- (3) The contingencies referred to in subsections (1)(b) and (2) are—
  - (a) the voluntary departure of a member,
  - (b) the commencement of the liquidation, administration, administrative receivership or receivership of, or the entering into of a voluntary arrangement by, a member under the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989 or the commencement, or entering into, of equivalent proceedings or arrangements under the law of any country or territory outside the United Kingdom,
  - (c) a serious deterioration in the financial condition of a member,
  - (d) a change of control of a member,
  - (e) a default by a member in performing its obligations under any agreement between the members or with the joint venture company (which, for this purpose, includes any constitutional document of the joint venture company),
  - (f) an external change in the commercial circumstances in which the joint venture company operates such that its viability is threatened,
  - (g) an unresolved disagreement between members, and

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- (h) any contingency of a similar kind to that mentioned in any of paragraphs (a) to (g) which is provided for, but not intended to happen, when the option arrangements in question are entered into.
- (4) This section does not apply if a member could alone or together with connected persons dictate the terms or timing of—
- (a) the transfer of shares or securities, or
  - (b) the suspension of a member's voting rights,
- in advance of one or more of the contingencies occurring.
- (5) For the purposes of subsection (4) members are not connected with each other by reason only of their membership of the joint venture company.
- (6) In this section—
- “connected” has the same meaning as in section 1122;
  - “constitutional document” means a memorandum of association, articles of association or any other similar document regulating the affairs of the joint venture company;
  - “joint venture company” means a company which—
    - (a) has two or more member companies, and
    - (b) carries on a commercial activity governed by an agreement regulating the affairs of its members;
  - “member” means a holder of shares or securities in the joint venture company.

#### Textual Amendments

- F4** Ss. 174A, 174B inserted (with effect in accordance with art. 15 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2012 \(S.I. 2012/266\)](#), arts. 1, **14(1)**

#### Modifications etc. (not altering text)

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), **Sch. 2 para. 5(4)** (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **Sch. 4 para. 10**)

### **174B Certain mortgage arrangements not within section 173**

- (1) Arrangements entered into by a company which, apart from this section, would be option arrangements within section 173 are not to be treated as such arrangements if and so long as—
- (a) the arrangements are a mortgage, secured by way of shares or securities in the company, which on default or the happening of any other event allows the mortgagee to exercise its rights against the mortgagor, and
  - (b) the mortgagee has not exercised its rights against the mortgagor.
- (2) This section does not apply if the mortgagee—
- (a) possesses greater rights in respect of the shares or securities which are the subject of the mortgage than it requires to protect its interest as mortgagee, or
  - (b) could alone or together with connected persons dictate the terms or timing of the default or the happening of any other event which allows it to exercise its rights against the mortgagor.

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- (3) For the purposes of subsection (2)(b) the mortgagee is not by reason only of the mortgage connected with a company whose shares or securities are the subject of the mortgage.
- (4) In this section—
- “connected” has the same meaning as in section 1122;
- “mortgage” means—
- (a) in England and Wales, and Northern Ireland, any legal or equitable charge, and
- (b) in Scotland, any right in security,  
(and section 1166(1) (definition of “mortgage”: Scotland) does not apply).]

#### Textual Amendments

- F4** Ss. 174A, 174B inserted (with effect in accordance with art. 15 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2012 \(S.I. 2012/266\)](#), arts. 1, **14(1)**

#### Modifications etc. (not altering text)

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), **Sch. 2 para. 5(4)** (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **Sch. 4 para. 10**)

### 175 Cases in which both sections 170 and 172 apply

- (1) This section applies in a case in which sections 170 and 172 apply but section 174 does not.
- (2) Determine what company A's proportion would be—
- (a) on the basis mentioned in section 170(2),
- (b) on the basis mentioned in section 172(1),
- (c) on those bases taken together, and
- (d) ignoring sections 170 and 172.
- (3) Company A's proportion is taken to be the lowest proportion determined under subsection (2).

#### Modifications etc. (not altering text)

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), **Sch. 2 para. 5(4)** (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), **Sch. 4 para. 10**)
- C8** S. 175(3) applied (with modifications) (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), **Sch. 10 para. 6(3)(c)** (as amended (5.1.2023) by [The Finance Act 2022, Schedule 10 \(Public Interest Business Protection Tax\) \(Substitution of Date\) Regulations 2022 \(S.I. 2022/1321\)](#), regs. 1, **2(2)**)

### 176 Cases in which both sections 170 and 174 apply

- (1) This section applies in a case in which sections 170 and 174 apply but section 172 does not.
- (2) Determine what company A's proportion would be—



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- (a) on the basis mentioned in section 170(2),
  - (b) on the basis mentioned at Step 4 in section 174,
  - (c) on those bases taken together, and
  - (d) ignoring sections 170 and 174.
- (3) Company A's proportion is taken to be the lowest proportion determined under subsection (2).

**Modifications etc. (not altering text)**

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by Finance Act 2022 (c. 3), **Sch. 2 para. 5(4)** (as amended (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 10**)
- C9** S. 176(3) applied (with modifications) (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by Finance Act 2022 (c. 3), **Sch. 10 para. 6(3)(c)** (as amended (5.1.2023) by The Finance Act 2022, Schedule 10 (Public Interest Business Protection Tax) (Substitution of Date) Regulations 2022 (S.I. 2022/1321), regs. 1, **2(2)**)

**177 Cases in which both sections 172 and 174 apply**

- (1) This section applies in a case in which sections 172 and 174 apply but section 170 does not.
- (2) Determine what company A's proportion would be—
- (a) on the basis mentioned in section 172(1),
  - (b) on the basis mentioned at Step 4 in section 174,
  - (c) on those bases taken together, and
  - (d) ignoring sections 172 and 174.
- (3) Company A's proportion is taken to be the lowest proportion determined under subsection (2).

**Modifications etc. (not altering text)**

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by Finance Act 2022 (c. 3), **Sch. 2 para. 5(4)** (as amended (11.7.2023) by Finance (No. 2) Act 2023 (c. 30), **Sch. 4 para. 10**)
- C10** S. 177(3) applied (with modifications) (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by Finance Act 2022 (c. 3), **Sch. 10 para. 6(3)(c)** (as amended (5.1.2023) by The Finance Act 2022, Schedule 10 (Public Interest Business Protection Tax) (Substitution of Date) Regulations 2022 (S.I. 2022/1321), regs. 1, **2(2)**)

**178 Cases in which sections 170, 172 and 174 all apply**

- (1) This section applies in a case in which sections 170, 172 and 174 all apply.
- (2) Determine what company A's proportion would be—
- (a) on the basis mentioned in section 170(2),
  - (b) on the basis mentioned in section 172(1),
  - (c) on the basis mentioned at Step 4 in section 174,
  - (d) on the bases mentioned in sections 170(2) and 172(1) taken together,

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- (e) on the bases mentioned in section 170(2) and at Step 4 in section 174 taken together,
  - (f) on the bases mentioned in section 172(1) and at Step 4 in section 174 taken together,
  - (g) on the bases mentioned in section 170(2), section 172(1) and at Step 4 in section 174 taken together, and
  - (h) ignoring sections 170, 172 and 174.
- (3) Company A's proportion is taken to be the lowest proportion determined under subsection (2).

**Modifications etc. (not altering text)**

- C4** Ss. 169-178 applied (with modifications) (24.2.2022) by [Finance Act 2022 \(c. 3\)](#), [Sch. 2 para. 5\(4\)](#) (as amended (11.7.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 4 para. 10](#))
- C11** S. 178(3) applied (with modifications) (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 10 para. 6\(3\)\(c\)](#) (as amended (5.1.2023) by [The Finance Act 2022, Schedule 10 \(Public Interest Business Protection Tax\) \(Substitution of Date\) Regulations 2022 \(S.I. 2022/1321\)](#), regs. 1, [2\(2\)](#))

**179 Cases in which surrendering or claimant company is non-UK resident**

- (1) If the surrendering company or the claimant company is non-UK resident at the relevant time, section 180 applies as mentioned in subsections (2) and (3) in the cases set out in subsection (4).
- (2) Section 180 applies in the application of this Chapter for the purposes of sections 143(3)(b) and (c) and 144(3)(b) and (c) if the non-UK resident company is owned by the consortium at the relevant time.
- (3) Section 180 applies in the application of this Chapter for the purposes of section 151(4) (a) and (b) in determining if the non-UK resident company is a 75% or 90% subsidiary of another company at the relevant time.

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- (4) The cases in which section 180 applies are as follows.

*Case 1*

One or more of the participating equity holders holds, as such, shares or securities with distribution rights that have effect (wholly or partly) by reference to whether or not, or to what extent, the profits or assets distributed are referable to company B's UK trade (see section 182).

*Case 2*

Section 174 applies and any of the proportions to be determined under paragraph (b) of Step 3 in that section would differ according to whether or not, or to what extent, the profits or assets distributed are referable to company B's UK trade.

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### Textual Amendments

**F5** Words in s. 179(3) omitted (with effect in accordance with Sch. 4 para. 4(1) of the amending Act) by virtue of [Finance Act 2022 \(c. 3\)](#), [Sch. 4 para. 1\(7\)](#)

### Modifications etc. (not altering text)

**C12** Ss. 179-182 modified (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 10 para. 6\(3\)\(d\)](#) (as amended (5.1.2023) by [The Finance Act 2022, Schedule 10 \(Public Interest Business Protection Tax\) \(Substitution of Date\) Regulations 2022 \(S.I. 2022/1321\)](#), regs. 1, [2\(2\)](#))

## 180 Company A's proportion if non-UK resident involved

- (1) If this section applies—
  - (a) go to subsection (2) if the case is one in which none of sections 170, 172 and 174 applies, and
  - (b) go to subsection (3) if the case is one in which any of sections 170, 172, and 174 applies.
- (2) If the case is as mentioned in subsection (1)(a)—
  - (a) determine what company A's proportion would be using the assumptions set out in section 181, and
  - (b) if the proportion so determined (“the alternative proportion”) is less than what company A's proportion would be ignoring this section, then company A's proportion is taken to be the alternative proportion.
- (3) If the case is as mentioned in subsection (1)(b), take the following steps.
  - Step 1*

Determine, in each way required by the applicable sections, what company A's proportion would be ignoring this section. A proportion determined at this step is referred to as a “normal proportion”.
  - Step 2*

Determine, in each way required by the applicable sections, what company A's proportion would be using the assumptions set out in section 181. A proportion determined at this step is referred to as a “section 181 proportion”.
  - Step 3*

If a section 181 proportion determined in a required way is less than the normal proportion determined in that way, for the purposes of the applicable sections use the section 181 proportion instead of the normal proportion.
- (4) In subsection (3) “the applicable sections” means any of sections 170, 172 and 174 that applies in the case mentioned in subsection (1)(b), together with whichever (if any) of sections 175 to 178 that applies in that case.

### Modifications etc. (not altering text)

**C12** Ss. 179-182 modified (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by [Finance Act 2022 \(c. 3\)](#), [Sch. 10 para. 6\(3\)\(d\)](#) (as amended (5.1.2023) by [The Finance Act 2022,](#)

*Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Cross Heading: Company's entitlement to profits or assets available for distribution: supplementary. (See end of Document for details)*

Schedule 10 (Public Interest Business Protection Tax) (Substitution of Date) Regulations 2022 (S.I. 2022/1321), regs. 1, **2(2)**)

## 181 Assumptions to be applied if non-UK resident company involved

(1) The assumptions referred to in section 180 are as follows.

### *Assumption 1*

The profit distribution or the distribution on the notional winding up is confined to a distribution of the profits or assets referable to company B's UK trade (see section 182).

### *Assumption 2*

Section 165(2) (in the case of a profit distribution) is applied on the basis that the amount of company B's total profits referred to in that subsection does not exceed the amount of those profits referable to its UK trade.

### *Assumption 3*

Section 166(3) and (4) (in the case of a distribution on a notional winding up) is applied on the basis that the amount of company B's assets and liabilities referred to in those subsections does not exceed the amount of those assets and liabilities referable to its UK trade.

### *Assumption 4*

None of the ordinary equity holders has a beneficial entitlement to the profits or assets referable to company B's UK trade that is greater than the proportion of the distribution in question to which the equity holder would be beneficially entitled—

- (a) if Assumptions 1 to 3 were ignored, and
- (b) if it would otherwise be less, the distribution were £100.

(2) In subsection (1) “ordinary equity holder” means an equity holder whose beneficial entitlement on the profit distribution or the distribution on the notional winding up does not differ according to whether or not, or the extent to which, the profits or assets distributed are referable to company B's UK trade.

### **Modifications etc. (not altering text)**

**C12** Ss. 179-182 modified (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by Finance Act 2022 (c. 3), **Sch. 10 para. 6(3)(d)** (as amended (5.1.2023) by [The Finance Act 2022, Schedule 10 \(Public Interest Business Protection Tax\) \(Substitution of Date\) Regulations 2022 \(S.I. 2022/1321\), regs. 1, \*\*2\(2\)\*\*](#))

## 182 Assets etc referable to UK trade

Profits, assets or liabilities of company B are referable to company B's UK trade so far as they—

- (a) are attributable to, or used for the purposes of, activities the income or chargeable gains from which are or (if there were any) would be brought into account in calculating company B's total profits of any accounting period, and

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**Changes to legislation:** There are currently no known outstanding effects for the Corporation Tax Act 2010, Cross Heading: Company's entitlement to profits or assets available for distribution: supplementary. (See end of Document for details)

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- (b) are not attributable to, or used for the purposes of, activities which are double taxation exempt for any accounting period (see section 186).

**Modifications etc. (not altering text)**

**C12** Ss. 179-182 modified (temp.) (with effect in accordance with Sch. 10 para. 43 of the amending Act) by Finance Act 2022 (c. 3), **Sch. 10 para. 6(3)(d)** (as amended (5.1.2023) by The Finance Act 2022, Schedule 10 (Public Interest Business Protection Tax) (Substitution of Date) Regulations 2022 (S.I. 2022/1321), regs. 1, **2(2)**)

**Changes to legislation:**

There are currently no known outstanding effects for the Corporation Tax Act 2010, Cross  
Heading: Company's entitlement to profits or assets available for distribution: supplementary.