



Finance Act 2020

2020 CHAPTER 14

PART 2

DIGITAL SERVICES TAX

Charge to tax

46 Meaning of “the threshold conditions”

- (1) For the purposes of this Part “the threshold conditions”, in relation to a group, for an accounting period are—
 - (a) that the total amount of digital services revenues arising in that period to members of the group exceeds £500 million, and
 - (b) that the total amount of UK digital services revenues arising in that period to members of the group exceeds £25 million.
- (2) But if the duration of the accounting period is less than a year, the amounts mentioned in subsection (1)(a) and (b) are proportionately reduced.

47 Charge to DST

- (1) This section applies where the threshold conditions are met in relation to a group for an accounting period.
- (2) Each person who was a member of the group in the accounting period (a “relevant person”) is liable to digital services tax in respect of UK digital services revenues arising in that period.
- (3) To find the liability of a relevant person to digital services tax in respect of the accounting period, take the following steps.

Step 1

Take the total amount of UK digital services revenues arising to members of the group in the accounting period.

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Step 2

Deduct £25million from the amount found under step 1.

Step 3

Calculate 2% of the amount calculated under step 2.

The result is “the group amount”.

Step 4

The relevant person’s liability to digital services tax in respect of the accounting period is the appropriate proportion of the group amount.

- (4) In this section “the appropriate proportion” means such proportion of the total amount of UK digital services revenues arising to members of the group in the accounting period as is attributable to the relevant person.
- (5) If the duration of the accounting period is less than a year, the sum mentioned in step 2 of subsection (3) is proportionately reduced.
- (6) This section is subject to section 48 (alternative basis of charge).

48 Alternative basis of charge

- (1) This section applies if a valid election under this section in respect of an accounting period has been made in the group’s DST return for that period (whether as originally made or by amendment).
- (2) An election under this section is valid if it specifies the categories of revenues in relation to which it applies (or specifies that it applies in relation to all categories).
- (3) For this purpose, the categories of revenues are—
 - (a) revenues arising in connection with any social media service;
 - (b) revenues arising in connection with any internet search engine;
 - (c) revenues arising in connection with any online marketplace.
- (4) To find the liability of a relevant person to digital services tax in respect of the accounting period, take the following steps (instead of the steps set out in section 47(3)).

Step 1

Take the total amount of UK digital services revenues arising to members of the group in the accounting period.

Step 2

Apportion the total amount found under step 1 between the three categories of revenues.

Step 3

For each category of revenues, the “net revenues” is the amount by which the amount of revenues apportioned under step 2 exceeds the relevant proportion of £25million.

“The relevant proportion” is—

$$\frac{R}{TR}$$

where—

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R is the amount of revenues apportioned under step 2 to the category,
and

TR is the total amount found under step 1.

Step 4

For each specified category of revenues, calculate the operating margin.

“The operating margin” is—

$$\frac{R - E}{R}$$

where—

R has the same meaning as in step 3, and

E is the amount of relevant operating expenses of the group that are recognised in the accounting period (as to which, see section 49).

If R does not exceed E, the operating margin is nil.

Step 5

For each specified category of revenues, the taxable amount is 0.8 x the operating margin x the net revenues.

For any other category of revenues, the taxable amount is 2% of the net revenues.

Step 6

Add together the taxable amounts calculated under step 5.

The result is “the group amount”.

Step 7

The relevant person’s liability to digital services tax in respect of the accounting period is the appropriate proportion of the group amount.

(5) If the duration of the accounting period is less than a year, the sum mentioned in step 3 of subsection (4) is proportionately reduced.

(6) In this section—

“the appropriate proportion” has the meaning given by section 47;

“relevant person” has the same meaning as in section 47;

“specified”, in relation to a category of revenues, means a category of revenues specified in the election.

49 Section 48: meaning of “relevant operating expenses”

(1) This section supplements section 48.

(2) The “relevant operating expenses” of a group, in relation to a specified category of revenues, means any expenses of a member of the group attributable to the earning of UK digital services revenues within the specified category, except excluded expenses.

(3) “Excluded expenses” means any expenses—

- (a) in respect of interest (or anything equivalent, from a commercial perspective, to interest),
- (b) attributable to the acquisition of a business or part of a business,
- (c) occurring otherwise than in the normal course of business,
- (d) resulting from a change in the valuation of any tangible or intangible asset, or

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- (e) in respect of any tax (arising under the law of any territory).
- (4) Where expenses are attributable to—
 - (a) the earning of UK digital services revenues within the specified category, and
 - (b) anything else,
 the expenses are to be treated as relevant operating expenses to such extent as is just and reasonable.
- (5) In this section “specified” has the meaning given by section 48.

50 Relief for certain cross-border transactions

- (1) This section applies if a claim under this section in respect of an accounting period has been included in the group’s DST return for that period (whether as originally made or by amendment).
- (2) For the purposes of step 1 in section 47(3) or 48(4), disregard 50% of any UK digital services revenues arising to a member of the group in the accounting period in connection with a relevant cross-border transaction.
- (3) For the purposes of step 4 in section 48(4), disregard 50% of any relevant operating expenses of a member of the group recognised in the accounting period that result from a relevant cross-border transaction.
- (4) “Relevant cross-border transaction” means a marketplace transaction where—
 - (a) the online marketplace is provided by a member of the group,
 - (b) a foreign user is a party to the transaction, and
 - (c) all or part of any revenues arising to a member of the group in connection with the transaction are (or would be) subject to a foreign DST charge.
- (5) In this section—
 - “foreign user” means a user who it is reasonable to assume—
 - (a) in the case of an individual, is normally in a territory outside the United Kingdom;
 - (b) in any other case, is established in a territory outside the United Kingdom,
 and a reference to the foreign user’s “territory” is to be read accordingly;
 - “foreign DST charge” means a charge (known by any name) under the law of the foreign user’s territory which is similar to digital services tax;
 - “marketplace transaction” has the meaning given by section 41;
 - “relevant operating expenses” has the meaning given by section 49.

51 When DST is due and payable

Digital services tax in respect of an accounting period is due and payable on the day following the end of 9 months from the end of the accounting period.