



Finance Act 2020

2020 CHAPTER 14

PART 2

DIGITAL SERVICES TAX

Charge to tax

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this section in respect of an accounting period has been made in the group's DST return for that period (whether as originally made or by amendment).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—

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2020, Section 48. (See end of Document for details)

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

where—

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.

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