



Finance (No. 2) Act 2023

2023 CHAPTER 30

PART 3

MULTINATIONAL TOP-UP TAX

CHAPTER 4

CALCULATION OF ADJUSTED PROFITS OF MEMBERS OF A MULTINATIONAL GROUP

Adjustments of underlying profits

154 Exclusion of qualifying intra-group financing arrangement expenses

(1) Where—

- (a) the underlying profits of the member of a multinational group for an accounting period reflect expenses attributable to a qualifying intra-group financing arrangement that could be reasonably expected, over the expected duration of the arrangement, to—
 - (i) increase the amount of expenses taken into account in calculating the member's underlying profits, and
 - (ii) not result in a corresponding increase in the taxable income of a member of the group that is a high tax member for that period,
- (b) the member is a low tax member for that period, and
- (c) the expenses are not required to be included as a result of [section 155](#),

the member's underlying profits for that period are to be adjusted to exclude those expenses.

(2) In [this section](#)—

“intra-group financing arrangement” means an arrangement between two or more members of a multinational group under which a member (member A) directly or indirectly provides credit or otherwise makes an investment in another member (member B);

Status: *This is the original version (as it was originally enacted).*

an intra-group financing arrangement is “qualifying” if member A is a high tax member and member B is a low tax member;

a member of a multinational group is a “low tax member” in an accounting period if the effective tax rate for the standard members of the group located in the member’s territory for that period would, ignoring intra-group financing arrangements, be less than 15%;

a member of a multinational group is a “high tax member” in an accounting period if the effective tax rate for the standard members of the group located in the member’s territory would, ignoring intra-group financing arrangements, be 15% or more.