

SCHEDULES

SCHEDULE 12

PILLAR TWO

PART 2

MULTINATIONAL TOP-UP TAX

Permanent establishment income and expense attribution

- 12 (1) Section 159 (permanent establishment income and expense attribution) is amended as follows.
- (2) In subsection (1), for the words from “only” to the end substitute “—
- “(a) reflect all amounts of income and expense that are attributable to it in accordance with the tax treaty under which it is treated as a permanent establishment, and
 - (b) do not reflect amounts attributable to its main entity in accordance with that treaty.”
- (3) In subsection (2), for the words from “only” to the end substitute “—
- (a) reflect all amounts of income and expense that are attributable to it in accordance with the law of the territory in which the member is located, and
 - (b) do not reflect amounts attributable to its main entity in accordance with the law of that territory.”
- (4) In subsection (3), for the words from “only” to the end substitute “—
- (a) reflect all amounts of income and expense that would be attributed to it in accordance with Article 7 of the OECD tax model, and
 - (b) do not reflect amounts that would be attributed to its main entity in accordance with the OECD tax model.”
- (5) After that subsection insert—
- “(4) Amounts are to be reflected (or, as the case may be, not reflected) in the underlying profits of a permanent establishment in accordance with subsections (1) to (3) whether or not—
- (a) in the case of an amount of income, it is subject to tax or not, or
 - (b) in the case of an amount of expense, it is deductible or not.”