

SCHEDULES

SCHEDULE 15

TAX TREATMENT OF FINANCING COSTS AND INCOME

PART 10

OTHER INTERPRETATIVE PROVISIONS

The worldwide group

- 78 In this Schedule “the worldwide group” means any group of entities that—
- (a) is large, and
 - (b) contains one or more relevant group companies.

Meaning of “group”

- 79 (1) Subject to sub-paragraphs (2) and (3), in this Schedule “group” has the meaning for the time being given by international accounting standards.
- (2) Where a group would (apart from this sub-paragraph) contain more than one ultimate parent, each of those ultimate parents, together with its subsidiaries, is to be treated as a separate group.
- (3) An entity that is a parent of the ultimate parent of a group is to be treated as not being a member of the group.
- (4) Sub-paragraphs (2) and (3) do not apply for the purposes of paragraph 80.

Meaning of “ultimate parent”

- 80 (1) For the purposes of this Schedule “ultimate parent”, in relation to a group, means an entity that—
- (a) is a member of the group,
 - (b) is a corporate entity or a relevant non-corporate entity,
 - (c) is not a subsidiary (whether direct or indirect) of a corporate entity or a relevant non-corporate entity, and
 - (d) is not a collective investment scheme.
- (2) In this paragraph “collective investment scheme” has the meaning given by section 235 of FISMA 2000.

Meaning of “corporate entity”

- 81 (1) In this Schedule “corporate entity” means (subject to sub-paragraph (4))—

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- (a) a body corporate incorporated under the laws of any part of the United Kingdom or any other country or territory, or
 - (b) any other entity that meets conditions A and B.
- (2) Condition A is that the person or persons who have an interest in the entity hold shares in the entity, or interests corresponding to shares.
- (3) Condition B is that the amount of profits to which each person who has an interest in the entity is entitled depends upon a decision that—
- (a) is taken by the entity or members of the entity, and
 - (b) is taken after the period in which the profits arise.
- (4) The following are not corporate entities for the purposes of this Schedule—
- (a) the Crown,
 - (b) a Minister of the Crown,
 - (c) a government department,
 - (d) a Northern Ireland department, or
 - (e) a foreign sovereign power.

Meaning of “relevant non-corporate entity”

- 82 (1) In this Schedule “relevant non-corporate entity” means an entity—
- (a) that is not a corporate entity, and
 - (b) in relation to which conditions A and B are met.
- (2) Condition A is that shares or other interests in the entity are listed on a recognised stock exchange.
- (3) Condition B is that the shares or other interests in the entity are sufficiently widely held.
- (4) For this purpose shares or other interests in an entity are “sufficiently widely held” if no participator in the entity holds more than 10% by value of all the shares or other interests in the entity.
- (5) Section 417(1) of ICTA (meaning of participator) applies for the purposes of this paragraph.
- (6) In the application of that provision for those purposes, references to a company are to be treated as references to an entity.

Treatment of entities stapled to corporate entities or relevant non-corporate entities

- 83 (1) Where a corporate entity is stapled to another entity, the two entities are treated for the purposes of this Schedule as if—
- (a) they were one entity, and
 - (b) that one entity were a corporate entity.
- (2) Where a relevant non-corporate entity is stapled to another entity, the two entities are treated as if—
- (a) they were one entity, and
 - (b) that one entity were a relevant non-corporate entity.

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- (3) For the purposes of this paragraph an entity (“entity A”) is “stapled” to another (“entity B”) if, in consequence of the nature of the rights attaching to the shares or other interests in entity A (including any terms or conditions attaching to the right to transfer the interests), it is necessary or advantageous for a person who has, disposes of or acquires shares or other interests in entity A also to have, to dispose of or to acquire shares or other interests in entity B.

Treatment of business combinations

- 84 (1) This paragraph applies where two corporate entities are—
- (a) not subsidiaries of the same entity, but
 - (b) are treated under international accounting standards as a single economic entity by reason of being a business combination achieved by contract.
- (2) The two entities are treated for the purposes of this Schedule as if—
- (a) they were one entity, and
 - (b) that one entity were a corporate entity.

Meaning of “large” in relation to a group

- 85 (1) For the purposes of this Schedule a group is “large” at any time if (and only if) any member of the group is not at that time within the category of micro, small and medium-sized enterprises as defined in the Annex to Commission Recommendation 2003/361/EC of 6 May 2003 (“the Annex”).
- (2) In its application by virtue of sub-paragraph (1), the Annex has effect subject to the following qualifications.
- (3) Where a member of the group is in liquidation or administration, the rights of the liquidator or administrator (in that capacity) are to be left out of account when applying Article 3(3)(b).
- (4) Article 3 has effect with the omission of paragraph (5) (declaration in good faith where control cannot be determined etc).
- (5) The first sentence of Article 4(1) has effect as if the reference to the latest approved accounting period of a member of the group were to the current accounting period of that member.
- (6) Article 4 has effect with the omission of—
- (a) the second sentence of paragraph (1) (data to be taken into account from date of closure of accounts),
 - (b) paragraph (2) (no change of status unless ceilings exceeded for two consecutive periods), and
 - (c) paragraph (3) (estimate in case of newly established enterprise).

Meaning of “UK group company” and “relevant group company”

- 86 (1) This paragraph applies for the purposes of this Schedule.
- (2) A company is a “UK group company” if—
- (a) it meets condition A, and
 - (b) it is a member of the worldwide group.

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- (3) A company is a “relevant group company” if—
- (a) it meets condition A, and
 - (b) it meets condition B.
- (4) Condition A is that the company—
- (a) is resident in the United Kingdom, or
 - (b) is not resident in the United Kingdom and is carrying on a trade in the United Kingdom through a permanent establishment in the United Kingdom.
- (5) Condition B is that the company is either—
- (a) the ultimate parent of the worldwide group, or
 - (b) a relevant subsidiary of the ultimate parent of the worldwide group.
- (6) A company is a “relevant subsidiary” of the ultimate parent of the worldwide group if the company is a member of the worldwide group and—
- (a) the company is a 75% subsidiary of the ultimate parent,
 - (b) the ultimate parent is beneficially entitled to at least 75% of any profits available for distribution to equity holders of the company, or
 - (c) the ultimate parent would be beneficially entitled to at least 75% of any assets of the company available for distribution to its equity holders on a winding-up.
- (7) Schedule 18 to ICTA (equity holders and profits or assets available for distribution) applies in relation to sub-paragraph (6)(b) and (c) as it applies in relation to section 413(7) of that Act.

Financial statements of the worldwide group

- 87 (1) This paragraph applies for the purposes of this Schedule.
- (2) References to financial statements of the worldwide group are to consolidated financial statements of the ultimate parent and its subsidiaries; and references to a balance sheet of the worldwide group are to be read accordingly.
- (3) References to a period of account of the worldwide group are to a period in respect of which financial statements of the worldwide group are drawn up.

Non-compliant financial statements of worldwide group

- 88 (1) This paragraph applies where—
- (a) financial statements of the worldwide group are drawn up in respect of a period,
 - (b) those financial statements are not acceptable, and
 - (c) the amounts disclosed in those financial statements are materially different from those that would be disclosed in IAS financial statements for the period.
- (2) This Schedule (apart from this paragraph) applies as if IAS financial statements had been drawn up in respect of the period.
- (3) For the purposes of this paragraph financial statements are “acceptable” if—
- (a) they are drawn up in accordance with international accounting standards,

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- (b) they meet such conditions relating to accounting standards, or accounting principles or practice, as may be specified in regulations made by the Commissioners, or
 - (c) conditions A to C are met.
- (4) Condition A is that—
- (a) the companies whose results are included in the financial statements, and
 - (b) the companies whose results would be included in IAS financial statements of the worldwide group for the same period, were such statements drawn up, are the same.
- (5) Condition B is that—
- (a) the transactions whose results are reflected in the amounts mentioned in paragraph 73(1)(a) to (g) in the financial statements, and
 - (b) the transactions whose results would be reflected in those amounts in IAS financial statements of the worldwide group for the same period, were such statements drawn up, are the same.
- (6) Condition C is that the amounts mentioned in paragraph 73(1)(a) to (d) in the financial statements are calculated using the effective interest method.
- (7) In this paragraph references to IAS financial statements of the worldwide group for a period are to financial statements of the group for the period drawn up in accordance with international accounting standards.

Non-existent financial statements of worldwide group

- 89 (1) This paragraph applies where financial statements of the worldwide group are not drawn up in respect of a period (“the relevant period”).
- (2) If the relevant period is 12 months or less, this Schedule (apart from this paragraph) applies as if IAS financial statements had been drawn up in respect of the relevant period.
- (3) If the relevant period is more than 12 months, this Schedule (apart from this paragraph) applies as if IAS financial statements had been drawn up in respect of each period to which sub-paragraph (4) applies.
- (4) This sub-paragraph applies to a period if—
- (a) it is the first period of 12 months falling within the relevant period,
 - (b) it is a period of 12 months falling within the relevant period that begins immediately after the end of the period mentioned in paragraph (a), or immediately after the end of a period determined under this paragraph, or
 - (c) it is a period of less than 12 months that—
 - (i) begins immediately after the end of the period mentioned in paragraph (a) or after the end of a period determined under paragraph (b), and
 - (ii) ends at the end of the relevant period.
- (5) In this paragraph references to IAS financial statements of the worldwide group for a period are to financial statements of the group for the period drawn up in accordance with international accounting standards.

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References to amounts disclosed in financial statements

- 90 (1) References in this Schedule to amounts disclosed in financial statements include an amount comprised in an amount so disclosed.
- (2) References in this Schedule to amounts disclosed in financial statements do not include, in the case of an amount that—
- (a) is an amount mentioned in paragraph 73(1)(a) to (g), and
 - (b) has been capitalised and is accordingly included in the balance sheet comprised in the financial statements,
- any part of that amount that was included in a balance sheet comprised in financial statements for an earlier period.
- (3) References in this Schedule to amounts disclosed in financial statements do not include—
- (a) any amount disclosed in respect of a group pension scheme, or
 - (b) any amount disclosed in respect of any entity that is not a member of the group.

Translation of amounts disclosed in financial statements into sterling

- 91 (1) References in this Schedule (except in Part 2) to an amount disclosed in financial statements for a period are, where the amount is expressed in a currency other than sterling, to that amount translated into its sterling equivalent.
- (2) The exchange rate by reference to which the amount is to be translated is the average rate of exchange for the period calculated from daily spot rates.

Expressions taking their meaning from international accounting standards

- 92 (1) For the purposes of this Schedule the following expressions have the meaning for the time being given by international accounting standards—
- “effective interest method”;
 - “entity”;
 - “parent”;
 - “subsidiary”.
- (2) The Commissioners may by order amend this paragraph.

Meaning of “relevant accounting period”

- 93 For the purposes of this Schedule a “relevant accounting period” of a company, in relation to a period of account of the worldwide group, means any accounting period that falls wholly or partly within the period of account of the worldwide group.

Meaning of “the Commissioners” and “HMRC”

- 94 In this Schedule—
- “the Commissioners” means the Commissioners for Her Majesty’s Revenue and Customs;
 - “FSA Handbook” means the Handbook made by the Financial Services Authority under FISMA 2000;
 - “HMRC” means Her Majesty’s Revenue and Customs.