

*These notes refer to the Taxation (International and Other Provisions)
Act 2010 (c.8) which received Royal Assent on 18 March 2010*

TAXATION (INTERNATIONAL AND OTHER PROVISIONS) ACT 2010

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 7: Tax treatment of financing costs and income

Overview

534. This Part rewrites Schedule 15 to FA 2009, the rules on debt capping.
535. The Part provides for the restriction of the tax deduction for finance expenses of group companies. The aggregate tax deduction for United Kingdom group members is limited to the consolidated gross finance expense of the group.
536. The restricted net expense is then allocated to one or more group companies. If other group members have net finance *income* from the group that finance income may be reduced in computing their profits.

Chapter 1: Introduction

Section 260: Introduction

537. This section gives an overview of the Part by setting out what each subsequent Chapter does and is based on paragraph 1 of Schedule 15 to FA 2009.

Chapter 2: Application of Part

Overview

538. This Chapter sets out the “gateway” conditions to be applied by reference to a comparison of the consolidated gross debt of the worldwide group with the aggregate figure of net debt of the UK group companies. If this condition is met for any given period of account of the worldwide group then the United Kingdom members of the group are not subject to the remaining Chapters of this Part.

Section 261: Application of Part

539. This section sets the condition for application of the Part based on the amount of the worldwide group’s debt. The Part applies if the United Kingdom net debt of the group exceeds 75% of the worldwide gross debt of the group. The section is based on paragraph 2 of Schedule 15 to FA 2009.

Section 262: UK net debt of worldwide group for period of account of worldwide group

540. This section defines “UK net debt” for the purposes of section 261. It is based on paragraph 3 of Schedule 15 to FA 2009.

Section 263: Net debt of a company

541. This section defines the “net debt” of a relevant group company at any particular time as the company’s debt liabilities less its liquid assets taken from the company’s balance sheet. It is based on paragraph 4 of Schedule 15 to FA 2009.

Section 264: Worldwide gross debt of worldwide group for period of account of the group

542. This section defines “worldwide gross debt”. It is based on paragraph 5 of Schedule 15 to FA 2009.

Section 265: References to amounts disclosed in balance sheet of relevant group company

543. This section explains what is meant by references to amounts disclosed in the balance sheet of a relevant group company. It is based on paragraph 6 of Schedule 15 to FA 2009.

Section 266: Qualifying financial services groups

544. This section gives the meaning of “qualifying financial services group”. It is based on paragraph 7 of Schedule 15 to FA 2009.

Section 267: Qualifying activities

545. This section provides the list of activities that are to be regarded as “qualifying activities”. It is based on paragraph 8 of Schedule 15 to FA 2009.

Section 268: Lending activities and activities ancillary to lending activities

546. This section defines “lending activities” and “activities that are ancillary to lending activities”. It is based on paragraph 9 of Schedule 15 to FA 2009.

Section 269: Insurance activities and insurance-related activities

547. This section defines “insurance activities” and “insurance-related activities”. It is based on paragraph 10 of Schedule 15 to FA 2009.

Section 270: Relevant dealing in financial instruments

548. This section gives the meaning of the phrase “relevant dealing in financial instruments” in section 267. It is based on paragraph 11 of Schedule 15 to FA 2009.

Section 271: UK trading income of the worldwide group

549. This section explains how UK trading income of the worldwide group is calculated for the purposes of section 266. It is based on paragraph 12 of Schedule 15 to FA 2009.

Section 272: Worldwide trading income of the worldwide group

550. This section explains how the worldwide trading income of the worldwide group is calculated for the purposes of section 266. It is based on paragraph 13 of Schedule 15 to FA 2009.

Section 273: Foreign currency accounting

551. This section provides that if an amount disclosed in balance sheets at any given date is expressed in a currency other than sterling, then the amount must be translated into sterling by reference to the spot rate at that date. It is based on paragraph 14 of Schedule 15 to FA 2009.

552. Paragraphs 14(3)(b) and (4) of Schedule 15 to FA 2009 refer to the £3 million minimum limit in paragraph 3(3) of that Schedule. The figure in paragraph 3(3) of Schedule 15 to FA 2009 may be amended by Treasury order under paragraph 3(5) of that Schedule. The order does not allow an amendment to paragraph 14(3)(b) and (4) but *subsections (3)(b) and (4)* of this section, which rewrite those sub-paragraphs, have been rewritten to allow the amount specified in section 263(3), which rewrites paragraph 3(3) of Schedule 15 to FA 2009, to apply to subsections (3) and (4) of this section whether or not amended by Treasury order.

Chapter 3: Disallowance of deductions

Overview

553. This Chapter applies if the “tested expense amount” exceeds the “available amount”. In broad terms, the “tested expense amount” is the aggregate of the net amount of financing expense payable by each of the relevant group companies that have net financing expense, while the “available amount” is the external gross finance expense of the worldwide group of companies. The excess is the amount of financing expense that must be disallowed in computing the corporation tax profits of the relevant group companies. This Chapter also sets out how the group should notify HMRC of the allocation of the disallowance between the relevant group companies by submitting an allocation statement, and provides for an alternative procedure if the group fails to do so.

Section 274: Application of Chapter and meaning of “total disallowed amount”

554. This section applies the Chapter if, for any period of account (“the relevant period of account”) of the “worldwide group”, the “tested expense amount” exceeds the “available amount”. It is based on paragraph 15 of Schedule 15 to FA 2009.

Section 275: Meaning of “company to which this Chapter applies”

555. This section provides that the Chapter applies to a company that is a relevant group company at any time during the relevant period of account. It is based on paragraph 16 of Schedule 15 to FA 2009.

Section 276: Appointment of authorised company for relevant period of account

556. This section provides that the companies to which the Chapter applies may appoint one of their number to act on their behalf for the relevant period of account in respect of matters governed by the Chapter. It is based on paragraph 17 of Schedule 15 to FA 2009.

Section 277: Meaning of “the reporting body”

557. This section defines the term “the reporting body” for the purposes of this Chapter as the company appointed under section 276 for the relevant period of account, or the companies to which this Part applies (acting jointly) if no such appointment has effect. It is based on paragraph 18 of Schedule 15 to FA 2009.

Section 278: Statement of allocated disallowances: submission

558. This section requires the reporting body to send a “statement of allocated disallowances” for the relevant period of account to HMRC. It is based on paragraph 19 of Schedule 15 to FA 2009.

Section 279: Statement of allocated disallowances: submission of revised statement

559. This section allows the reporting body to submit a revised statement to HMRC, with subsequent revisions also being allowed. It is based on paragraph 20 of Schedule 15 to FA 2009.

Section 280: Statement of allocated disallowances: requirements

560. This section sets out the requirements of a statement of allocated disallowances. It is based on paragraph 21 of Schedule 15 to FA 2009.

Section 281: Statement of allocated disallowances: effect

561. This section gives the effect of the statement of allocated disallowances, namely that a financing expense amount of a company specified in a statement is not to be brought into account by the company for corporation tax purposes. It is based on paragraph 22 of Schedule 15 to FA 2009.

Section 282: Company tax returns

562. This section provides that where a company has delivered a company tax return for the relevant period, and as a result of a revised statement either the amount of profits on which corporation tax is chargeable for a relevant accounting period of a company changes, or any other information contained in the return is rendered incorrect, then the company is treated as having amended its return for the accounting period so as to reflect the change or correct the information. It is based on paragraph 23 of Schedule 15 to FA 2009.

Section 283: Power to make regulations about statement of allocated disallowances

563. This section provides a regulation-making power to allow the Commissioners for HMRC to introduce rules governing a statement of allocated disallowances, and mentions matters that may be covered in particular circumstances. It is based on paragraph 24 of Schedule 15 to FA 2009.

Section 284: Failure of reporting body to submit statement of allocated disallowances

564. This section sets out the consequences of a failure by a reporting body to submit a statement of allocated disallowances that complies with the requirements of section 280. It is based on paragraph 25 of Schedule 15 to FA 2009.

Section 285: Powers to make regulations in relation to reductions under section 284

565. This section provides a regulation-making power to allow the Commissioners for HMRC to introduce rules to ensure that a company in relation to which a financing expense amount is reduced under section 284 has sufficient information to determine its amount and describes matters that may be covered in particular. It is based on paragraph 26 of Schedule 15 to FA 2009.

Chapter 4: Exemption of financing income

Overview

566. This Chapter sets out how the group should notify HMRC of the allocation of the exemption between the group companies by submitting an allocation statement, providing an alternative procedure on failure to do so.

Section 286: Application of Chapter and meaning of “total disallowed amount”

567. This section applies this Chapter to deal with the exemption of financing income for a period of account of the worldwide group where the tested expense amount exceeds the available amount. It is based on paragraph 27 of Schedule 15 to FA 2009.

Section 287: Meaning of “company to which this Chapter applies”

568. This section provides that this Chapter applies to a company that is a UK group company at any time during the period of account of the worldwide group. It is based on paragraph 28 of Schedule 15 to FA 2009.

Section 288: Appointment of authorised company for relevant period of account

569. This section provides a regulation-making power to allow the Commissioners for HMRC to introduce rules governing a statement of allocated exemptions, mentioning matters that may be covered in particular. It is based on paragraph 29 of Schedule 15 to FA 2009.

Section 289: Meaning of “the reporting body”

570. This section gives the meaning of “the reporting body”. It is based on paragraph 30 of Schedule 15 to FA 2009.

Section 290: Statement of allocated exemptions: submission

571. This section requires a statement of allocated exemptions to be submitted to HMRC. It is based on paragraph 31 of Schedule 15 to FA 2009.

Section 291: Statement of allocated exemptions: submission of revised statement

572. This section allows the reporting body to submit a revised statement to HMRC. It is based on paragraph 32 of Schedule 15 to FA 2009.

Section 292: Statement of allocated exemptions: requirements

573. This section sets out the requirements of a statement of allocated exemptions in terms of the information it must contain. It is based on paragraph 33 of Schedule 15 to FA 2009.

Section 293: Statement of allocated exemptions: effect

574. This section gives the effect of the statement of allocated exemptions. It is based on paragraph 34 of Schedule 15 to FA 2009.

Section 294: Company tax returns

575. This section provides that where a company has delivered a company tax return and there is a change in the profits as a result of a revised statement of allocated exemptions or other information in the return is rendered incorrect, the company is treated as having amended its return for the accounting period concerned. It is based on paragraph 35 of Schedule 15 to FA 2009.

Section 295: Power to make regulations about statement of allocated exemptions

576. This section provides a regulation-making power to allow the Commissioners for HMRC to introduce rules governing a statement of allocated exemptions and mentions matters which may be covered in particular. It is based on paragraph 36 of Schedule 15 to FA 2009.

Section 296: Failure of reporting body to submit statement of allocated exemptions

577. This section sets out the consequences of a failure by a reporting body to submit a statement of allocated exemptions that complies with the requirements of section 292. It is based on paragraph 37 of Schedule 15 to FA 2009.

Section 297: Power to make regulations in relation to reductions under section 296

578. This section provides a regulation-making power to allow the Commissioners for HMRC to introduce rules to ensure that a company in whose case a financing income amount is reduced under section 296 has sufficient information to determine its amount and mentions matters that may be covered in particular. It is based on paragraph 38 of Schedule 15 to FA 2009.

Section 298: Balancing payments between group companies: no tax charge or relief

579. This section provides that, where in certain defined circumstances one company makes a payment to another company as a result of an adjustment to taxable income or expenses made under this Part, then those amounts are not taken into account in computing the taxable profits of either company. It is based on paragraph 39 of Schedule 15 to FA 2009.

Chapter 5: Intra-group financing income where payer denied deduction

Overview

580. **Chapter 5** allows intra-group financing income received from a company resident in the EEA, excluding the United Kingdom, to be exempt from corporation tax. To the extent that tax relief is not available for finance costs within the EEA other than the United Kingdom, the income is not brought into account for the purposes of corporation tax in the hands of the recipient.

Section 299: Tax exemption for certain financing income received from EEA companies

581. This section gives an exemption for an amount of financing income received from a group company that is resident in the EEA, excluding the United Kingdom. Exemption is subject to meeting all of conditions A to C, which are explained in subsequent sections. The section is based on paragraph 40 of Schedule 15 to FA 2009.

Section 300: Meaning of “relevant associate”

582. This section defines “relevant associate” for the purposes of the Chapter. It is based on paragraph 41 of Schedule 15 to FA 2009.

Section 301: Meaning of “tax-resident” and “EEA territory”

583. This section defines “tax resident” and “EEA territory” for the purposes of this Chapter. It is based on paragraph 42 of Schedule 15 to FA 2009.

Section 302: Qualifying EEA tax relief for payment in current or previous period

584. This section defines the requirement set out in the first of the two elements of condition C of section 299. It is based on paragraph 43 of Schedule 15 to FA 2009.

Section 303: Qualifying EEA tax relief for payment in future period

585. This section defines the second requirement of condition C in section 299. It is similar to the first requirement described in the previous section except that it refers to future periods. The section is based on paragraph 44 of Schedule 15 to FA 2009.

Section 304: References to tax of a territory

586. This section defines the term “tax” for the purposes of this Chapter. It is based on paragraph 45 of Schedule 15 to FA 2009.

Section 305: Financing income amounts of a company

587. This section defines the term “financing income amount”, which is the term used in section 299 to describe the amount that is exempt in the hands of a company. It is based on paragraph 46 of Schedule 15 to FA 2009.

Chapter 6: Tax avoidance

Overview

588. This Chapter provides anti-avoidance rules for the Part. The first rule is targeted at avoidance schemes that manipulate the rules in Chapter 2 in order to avoid the application of the Part to a group of companies that would not otherwise have met the ‘gateway’ conditions in section 261. The second targets schemes to reduce the amount of a disallowance under the debt cap, whether by decreasing the tested expense amount or by increasing the available amount or the tested income amount, or any combination of these. The third rule counters manipulation of the Chapter 5 rules which disregard certain intra-group financing income.

Section 306: Schemes involving manipulation of rules in Chapter 2

589. This section counters schemes that attempt to manipulate the “gateway” conditions. For example, a group that would otherwise fail the test in section 261 (so that the debt cap rules applied) might borrow from a bank at the end of its period of account to boost the “worldwide gross debt” amount defined in section 264, repaying the loan the next day. The section is based on paragraph 47 of Schedule 15 to FA 2009.

Section 307: Schemes involving manipulation of rules in Chapters 3 and 4

590. This section is directed at schemes manipulating the tested expense amount, the tested income amount or the available amount, or any combination of these three by considering the aggregate effect of these three amounts – the “relevant net deduction” – defined in section 308. It is based on paragraph 48 of Schedule 15 to FA 2009.

Section 308: Meaning of “relevant net deduction”

591. This section defines the “relevant net deduction” for the purposes of section 307(2). This is so much of the total disallowed amount (the tested expense amount less the available amount) as cannot be covered by a disregard of financing income of UK group companies. The relevant amount may be nil. The section is based on paragraph 49 of Schedule 15 to FA 2009.

Section 309: Calculation of amounts

592. This section sets out the assumptions to be made for the purposes of section 307. It is based on paragraph 50 of Schedule 15 to FA 2009.

Section 310: Meaning of “carried-back amount” and “carried-forward amount”

593. This section defines the “carried-back amount” and “carried-forward amount” for the purposes of section 307. It is based on paragraph 51 of Schedule 15 to FA 2009.

Section 311: Schemes involving manipulation of rules in Chapter 5

594. This section deals with schemes that manipulate the rules in Chapter 5. Under section 299 financing income received by a United Kingdom company is disregarded for corporation tax purposes where three conditions are met and this section counters a scheme if it has the effect of securing that any of these three section 299 conditions is met and that is the main purpose or one of the main purposes of the scheme. It is based on paragraph 52 of Schedule 15 to FA 2009.

Section 312: Meaning of “scheme” and “excluded scheme”

595. This section defines “scheme” and “excluded scheme” for the purposes of this Chapter. It is based on paragraph 53 of Schedule 15 to FA 2009.

Chapter 7: “Financing expense amount” and “financing income amount”

Overview

596. This Chapter explains what is meant by “financing expense amount” and “financing income amount” of a company. These amounts are used in Chapter 8 to compute the “tested expense amount” and “tested income amount” which in turn are used, together with the “available amount” (defined in Chapter 9), to calculate the amounts, if any, of the financing expense incurred by relevant group companies to be disallowed and of the financing income receivable by UK group companies to be exempted. In setting the basic rules for the “financing expense amount” this Chapter includes specific activities or certain types of finance amount.

Section 313: The financing expense amounts of a company

597. This section provides that a “financing expense amount” of a worldwide group company for a period of account is an amount that is brought into account for corporation tax purposes in accordance with condition A, B or C . It is based on paragraph 54 of Schedule 15 to FA 2009.

Section 314: The financing income amounts of a company

598. This section provides that a “financing income amount” of a worldwide group company for a period of account is an amount that is brought into account for corporation tax purposes in accordance with condition A, B or C . It is based on paragraph 55 of Schedule 15 to FA 2009.

Section 315: Interpretation of sections 313 and 314

599. This section provides that various terms used in sections 313 and 314 have the same meaning as they do in the loan relationships rules in CTA 2009. It is based on paragraph 56 of Schedule 15 to FA 2009.

Section 316: Group treasury companies

600. This section excludes financing expense or income amounts if the company is a group treasury company during the worldwide group’s period of account. It is based on paragraph 57 of Schedule 15 to FA 2009.

Section 317: Real estate investment trusts

601. This section provides for an exclusion from financing expense or income amounts for amounts taken into account in computing profits exempted from tax by virtue of the special rules applying to real estate investment trusts. It is based on paragraph 58 of Schedule 15 to FA 2009.

Section 318: Companies engaged in oil extraction activities

602. This section excludes the financing expense or income amounts if a company is engaged in oil extraction activities within the meaning of section 277 of CTA 2010. It is based on paragraph 59 of Schedule 15 to FA 2009.

Section 319: Intra-group short-term finance: financing expense

603. This section prevents an intra-group short-term financing expense which meets condition A in section 313 from being treated as a finance expense. It is based on paragraph 60 of Schedule 15 to FA 2009.

Section 320: Intra-group short-term finance: financing income

604. This section excludes intra-group short-term financing income from being treated as such if the corresponding finance expense is not treated as a financing expense in accordance with section 319. It is based on paragraph 61 of Schedule 15 to FA 2009.

Section 321: Short-term loan relationships

605. This section explains which finance arrangements can be treated as short-term loan arrangements for the purposes of section 319. It is based on paragraph 62 of Schedule 15 to FA 2009.

Section 322: Stranded deficits in non-trading loan relationships: financing expense

606. This section deals with stranded deficits in non-trading loan relationships from the perspective of the company incurring the financing expense and prevents a financing expense which meets condition A in section 313 from being treated as such. It is based on paragraph 63 of Schedule 15 to FA 2009.

Section 323: Stranded deficits in non-trading loan relationships: financing income

607. This section prevents an amount from being treated as financing income if the corresponding financing expense is not treated as such under section 322. It is based on paragraph 64 of Schedule 15 to FA 2009.

Section 324: Stranded management expenses in non-trading loan relationships: financing expense

608. This section deals with stranded management expenses in non-trading loan relationships from the perspective of the company incurring the financing expense and prevents a financing expense which meets condition A in section 313 from being treated as such. It is based on paragraph 65 of Schedule 15 to FA 2009.

Section 325: Stranded management expenses in non-trading loan relationships: financing income

609. This section prevents an amount from being treated as financing income if the corresponding financing expense is not treated as such under section 324. It is based on paragraph 66 of Schedule 15 to FA 2009.

Section 326: Charities

610. This section excludes relevant amounts paid to charities from being taken into account in computing any disallowance under this Part. This prevents a disallowance being made where a corresponding disregard of amounts receivable is not available because of the tax status of the receiving body. The section is based on paragraph 67 of Schedule 15 to FA 2009.

Section 327: Educational and public bodies

611. This section excludes relevant amounts paid to certain educational and public bodies from being taken into account in computing any disallowance under this Part. This prevents a disallowance being made where a corresponding disregard of amounts receivable is not available because of the tax status of the receiving body. The section is based on paragraph 68 of Schedule 15 to FA 2009.

Section 328: Interpretation of sections 316 to 327

612. This section defines “finance arrangement” for the purposes of sections 316 to 327. It is based on paragraph 69 of Schedule 15 to FA 2009.

Chapter 8: “Tested expense amount” and “tested income amount”

Overview

613. This Chapter sets out how two key amounts, the “tested expense amount” and the “tested income amount”, are to be calculated. The “tested expense amount” must be calculated so that, by comparison with the “available amount” dealt with in Chapter 9, it can be determined whether the adjustments provided for by Chapters 3 and 4 are necessary. In calculating the amount of financing income the “tested income amount” is exempted from corporation tax by Chapter 4.

Section 329: The tested expense amount

614. Under this section the “tested expense amount” for a worldwide group is built up from the sum of each relevant group company’s “net financing deduction” (explained in *subsections (2) to (5)*). It is based on paragraph 70 of Schedule 15 to FA 2009.

Section 330: The tested income amount

615. Under this section the “tested income amount” for a worldwide group is built up from the sum of each UK group company’s “net financing income” (explained in *subsections (2) to (5)*). It is based on paragraph 71 of Schedule 15 to FA 2009.

Section 331: Companies with net financing deduction or net financing income that is small

616. This section provides the figure used to determine whether a relevant group company’s net financing deduction or a UK group company’s net financing income is “small” (less than £500,000) and allows the amount to be increased or decreased by Treasury order. It is based on paragraph 72 of Schedule 15 to FA 2009.

Chapter 9: “Available amount”

Overview

617. This Chapter deals with the computation of the “available amount”, which in broad terms is the external gross finance expense of the worldwide group of companies. This Chapter sets out the basic rules for computing that amount and provides for the external financing expense arising from certain activities to be disregarded in the calculation.

Section 332: The available amount

618. This section provides that the “available amount” for a period of account of the worldwide group is derived from amounts disclosed in the group’s income statement for that period. It is based on paragraph 73 of Schedule 15 to FA 2009.

Section 333: Group members with income from oil extraction subject to particular tax treatment in UK

619. This section excludes from the available amount financing costs arising from oil extraction activities. It is based on paragraph 74 of Schedule 15 to FA 2009.

Section 334: Group members with income from shipping subject to particular tax treatment in UK

620. This section excludes from the available amount financing costs relating to profits which are dealt with under the tonnage tax regime. It is based on paragraph 75 of Schedule 15 to FA 2009.

Section 335: Group members with income from property rental subject to particular tax treatment in UK

621. This section excludes from the available amount financing costs relating to profits exempted from corporation tax by virtue of the special rules applying to real estate investment trusts. It is based on paragraph 76 of Schedule 15 to FA 2009.

Section 336: Meaning of accounting expressions used in this Chapter

622. This section confirms that in the absence of any contrary provision, expressions used in this Chapter have the meaning given by international accounting standards. It is based on paragraph 77 of Schedule 15 to FA 2009.

Chapter 10: Other interpretative provisions

Overview

623. This Chapter defines a number of terms used in the Part.

Section 337: The worldwide group

624. This section defines “the worldwide group” for the purposes of this Part as any group of entities that is “large” (defined in section 344). It is based on paragraph 78 of Schedule 15 to FA 2009.

Section 338: Meaning of “group”

625. This section provides that the term “group” for the purposes of this Part takes its meaning from international accounting standards, thus establishing that “the worldwide group” defined in section 337 will, in the majority of cases, be the group of companies whose results are included in the consolidated accounts of the group headed by the ultimate parent. It is based on paragraph 79 of Schedule 15 to FA 2009.

Section 339: Meaning of “ultimate parent”

626. This section defines “ultimate parent” for the purposes of this Part. It is based on paragraph 80 of Schedule 15 to FA 2009.

Section 340: Meaning of “corporate entity”

627. This section defines “corporate entity” for the purposes of this Part. It is based on paragraph 81 of Schedule 15 to FA 2009.

Section 341: Meaning of “relevant non-corporate entity”

628. This section defines “relevant non-corporate entity” for the purposes of this Part. It is based on paragraph 82 of Schedule 15 to FA 2009.

Section 342: Treatment of entities stapled to corporate, or relevant non-corporate, entities

629. This section provides that, where a corporate or relevant non-corporate entity is stapled to another entity, they will be treated as a single corporate or relevant non-corporate

entity for the purposes of the Part. It is based on paragraph 83 of Schedule 15 to FA 2009.

Section 343: Treatment of business combinations

630. This section treats entities as one corporate entity for the purposes of the Part if international accounting standards treat them as a single economic entity by reason of being a business combination achieved by contract. It is based on paragraph 84 of Schedule 15 to FA 2009.

Section 344: Meaning of “large” in relation to a group

631. This section defines a large group as a group no member of which is within the category of micro, small and medium-sized enterprises as defined (with modifications) in the Annex to European Commission Recommendation 2003/361/EC of 6 May 2003. It is based on paragraph 85 of Schedule 15 to FA 2009.

Section 345: Meaning of “UK group company” and “relevant group company”

632. This section defines “UK group company” and “relevant group company” for the purposes of this Part. It is based on paragraph 86 of Schedule 15 to FA 2009.

Section 346: Financial statements of the worldwide group

633. This section explains which consolidated financial statements of the worldwide group are to be used in applying this Part. It is based on paragraph 87 of Schedule 15 to FA 2009.

Section 347: Non-compliant financial statements of the worldwide group

634. This section provides that where a group has not prepared consolidated financial statements of the worldwide group in accordance with acceptable accounting standards, the Part applies as if the group had prepared consolidated financial statements for the period in accordance with international accounting standards. It is based on paragraph 88 of Schedule 15 to FA 2009.

Section 348: Non-existent financial statements of the worldwide group

635. This section provides that where consolidated financial statements of an ultimate parent and its subsidiaries are not prepared, the Part will apply as if financial statements had been drawn up under international accounting standards. It is based on paragraph 89 of Schedule 15 to FA 2009.

Section 349: References to amounts disclosed in financial statements

636. This section sets out what is meant by “amounts disclosed in financial statements”. It is based on paragraph 90 of Schedule 15 to FA 2009.

Section 350: Translation of amounts disclosed in financial statements

637. This section provides that amounts disclosed in financial statements for a period which are expressed in a currency other than sterling must be converted at the average rate of exchange for that period. It is based on paragraph 91 of Schedule 15 to FA 2009.

Section 351: Expressions taking their meaning from international accounting standards

638. This section provides for specified terms within the Part to take their meaning for the purposes of the Part from the definition given to them, for the time being, by international accounting standards. It is based on paragraph 92 of Schedule 15 to FA 2009.

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Section 352: Meaning of “relevant accounting period”

639. This section defines a “relevant accounting period” for the purposes of this Part. It is based on paragraph 93 of Schedule 15 to FA 2009.

Section 353: Other expressions

640. This section defines various terms for the purposes of this Part. It is based on paragraph 94 of Schedule 15 to FA 2009.