



# Taxation (International and Other Provisions) Act 2010

## 2010 CHAPTER 8

### [<sup>F1</sup>PART 10]

#### [<sup>F1</sup>CORPORATE INTEREST RESTRICTION]

### [<sup>F1</sup>CHAPTER 7

#### GROUP-INTEREST AND GROUP-EBITDA

#### Textual Amendments

- F1** Pt. 10: the existing Pt. 10 renumbered as Pt. 11 (except for ss. 375, 376 which are repealed), the existing ss. 372-374, 377-382 renumbered as ss. 499-507 and a new Pt. 10 (ss. 372-498) inserted (with effect in accordance with [Sch. 5 para. 25\(1\)-\(3\)](#) of the amending Act) by [Finance \(No. 2\) Act 2017](#) (c. 32), [Sch. 5 para. 1](#), [10\(1\)\(2\)\(a\)\(3\)](#) (with [Sch. 5 paras. 27, 32-34](#))

#### *Group-interest*

#### **410 Net group-interest expense**

- (1) For the purposes of this Part the “net group-interest expense” of a worldwide group for a period of account of the group (“the relevant period of account”) is—

$$A - B$$

where—

A is the sum of the relevant expense amounts that are recognised in the financial statements of the group for the period as items of profit or loss;

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B is the sum of the relevant income amounts that are recognised in the financial statements of the group for the period as items of profit or loss.

- (2) Subsection (3) applies where—
- (a) a relevant expense amount (“the capitalised expense”) is brought into account in financial statements of the group (whether for the relevant period of account or any earlier period) in determining the carrying value of an asset,
  - (b) the asset is not a relevant asset, and
  - (c) in the financial statements of the group for the relevant period of account, any of the carrying value is written down.
- (3) A in subsection (1) is treated as including so much of the amount written down as is attributable to the capitalised expense.
- (4) Subsection (5) applies where—
- (a) a relevant income amount (“the capitalised income”) is brought into account in financial statements of the group (whether for the relevant period of account or any earlier period) in determining the carrying value of an asset,
  - (b) the asset is not a relevant asset, and
  - (c) in the financial statements of the group for the relevant period of account, any of the carrying value is written down.
- (5) B in subsection (1) is treated as including the amount of the reduction in the amount written down that is attributable to the capitalised income.
- [ If, on the assumption that subsections (3) and (5) applied to relevant assets, an amount <sup>F2</sup>(5A) would, in accordance with subsection (3) or (5), have been treated as included in A or B in subsection (1)—
- (a) as an amount attributable to the capitalised expense, or
  - (b) as an amount attributable to the capitalised income,
- none of that amount is to be included in A or B in that subsection.]
- (6) See—
- section 411 for the definitions of “relevant expense amount” and “relevant income amount”;
  - section 417(5) and (6) for the definition of “relevant asset”;
  - section 420 for provision affecting amounts recognised in financial statements in respect of certain profits or losses arising from derivative contracts.

#### Textual Amendments

- F2** S. 410(5A) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 11 para. 5](#)

#### 411 “Relevant expense amount” and “relevant income amount”

- (1) In this Chapter “relevant expense amount” means (subject to subsection (3)) an amount in respect of any of the following—
- (a) interest payable under a loan relationship;
  - (b) expenses ancillary to a loan relationship [<sup>F3</sup>or related transaction];
  - (c) losses arising from a loan relationship or a related transaction, other than—

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- (i) exchange losses, and
    - (ii) impairment losses;
  - (d) dividends payable in respect of preference shares accounted for as a financial liability;
  - (e) losses arising from a relevant derivative contract or a related transaction, other than—
    - (i) exchanges losses,
    - (ii) impairment losses, and
    - [<sup>F4</sup>(iii) losses in respect of risks arising in the ordinary course of a trade (other than risks arising in the ordinary course of a financial trade) where the derivative contract was entered into wholly for reasons unrelated to the capital structure of the worldwide group (or any member of the worldwide group);]
  - (f) expenses ancillary to a relevant derivative contract or related transaction;
  - (g) financing charges implicit in payments made under a finance lease;
  - (h) financing charges relating to debt factoring [<sup>F5</sup>or any similar transaction];
  - (i) financing charges implicit in payments made under a service concession arrangement if and to the extent that the arrangement is accounted for as a financial liability;
  - [<sup>F6</sup>(j) debits that are brought into account under Part 5 of CTA 2009 as a result of section 481 of that Act (relevant non-lending relationships), or would be so brought into account if the company in question were within the charge to corporation tax, other than—
    - (i) exchange losses, or
    - (ii) impairment losses;]
  - (k) alternative finance return payable under alternative finance arrangements;
  - (l) manufactured interest payable;
  - (m) financing charges in respect of the advance under a debtor repo or debtor quasi-repo;
  - (n) financing charges so far as they are made up of amounts which—
    - (i) are treated as interest payable under a loan relationship under a relevant provision of Chapter 2 of Part 16 of CTA 2010 (finance arrangements), or
    - (ii) would be so treated if the company in question were within the charge to corporation tax.
- (2) In this Chapter “relevant income amount” means (subject to subsection (3)) an amount in respect of any of the following—
- (a) interest receivable under a loan relationship;
  - (b) profits arising from a loan relationship or a related transaction, other than—
    - (i) exchange gains, and
    - (ii) the reversal of impairment losses;
  - (c) dividends receivable in respect of preference shares accounted for as a financial asset;
  - (d) gains arising from a relevant derivative contract or a related transaction, other than—
    - (i) exchange gains,
    - (ii) the reversal of impairment losses, and

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- [<sup>F7</sup>(iii) gains in respect of risks arising in the ordinary course of a trade (other than risks arising in the ordinary course of a financial trade) where the derivative contract was entered into wholly for reasons unrelated to the capital structure of the worldwide group (or any member of the worldwide group);]
- (e) financing income implicit in amounts received under a finance lease;
- (f) financing income relating to debt factoring [<sup>F8</sup>or any similar transaction];
- (g) financing income implicit in amounts received under a service concession arrangement if and to the extent that the arrangement is accounted for as a financial asset;
- [<sup>F9</sup>(h) credits that are brought into account under Part 5 of CTA 2009 as a result of section 481 of that Act (relevant non-lending relationships), or would be so brought into account if the company in question were within the charge to corporation tax, other than—
- (i) exchange gains, or
- (ii) the reversal of impairment losses;]
- (i) alternative finance return receivable under alternative finance arrangements;
- (j) manufactured interest receivable;
- (k) financing income in respect of the advance under a creditor repo or creditor quasi-repo;
- (l) financing income so far as it is made up of amounts which—
- (i) are treated as interest receivable under a loan relationship under a relevant provision of Chapter 2 of Part 16 of CTA 2010 (finance arrangements), or
- (ii) would be so treated if the company in question were within the charge to corporation tax.
- (3) In this Chapter—
- (a) “relevant expense amount” does not include an amount payable under a pension scheme;
- (b) “relevant income amount” does not include an amount receivable under a pension scheme.

<sup>F10</sup>(4) .....

#### Textual Amendments

- F3** Words in s. 411(1)(b) inserted (retrospectively) by [Finance Act 2018 \(c. 3\), Sch. 8 paras. 20\(2\)\(a\), 23\(1\)](#)
- F4** S. 411(1)(e)(iii) substituted (with effect in accordance with Sch. 8 para. 22 of the amending Act) by [Finance Act 2018 \(c. 3\), Sch. 8 para. 4\(2\)](#)
- F5** Words in s. 411(1)(h) inserted (retrospectively) by [Finance Act 2018 \(c. 3\), Sch. 8 paras. 20\(2\)\(b\), 23\(1\)](#)
- F6** S. 411(1)(j) substituted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 3 para. 6\(2\)](#)
- F7** S. 411(2)(d)(iii) substituted (with effect in accordance with Sch. 8 para. 22 of the amending Act) by [Finance Act 2018 \(c. 3\), Sch. 8 para. 4\(3\)](#)
- F8** Words in s. 411(2)(f) inserted (retrospectively) by [Finance Act 2018 \(c. 3\), Sch. 8 paras. 20\(3\), 23\(1\)](#)
- F9** S. 411(2)(h) substituted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by [Finance \(No. 2\) Act 2023 \(c. 30\), Sch. 3 para. 6\(3\)](#)

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**F10** S. 411(4) omitted (retrospectively) by virtue of [Finance Act 2019 \(c. 1\)](#), [Sch. 11 paras. 19, 24](#)

## 412 Section 411: interpretation

- (1) For the purposes of section 411(1)(b), expenses are “ancillary” to a loan relationship <sup>F11</sup>[or related transaction] if and only if they are incurred directly—
- (a) in bringing, or attempting to bring, the relationship into existence,
  - <sup>F12</sup>(ab) [ in entering into or giving effect to, or attempting to enter into or give effect to, the related transaction,]
  - (b) in making payments under the loan relationship <sup>F13</sup>[or as a result of the related transaction], or
  - (c) in taking steps to ensure the receipt of payments under the loan relationship <sup>F14</sup>[or in accordance with the related transaction].
- (2) For the purposes of section 411(1)(e) and (2)(d) a derivative contract is “relevant” if its underlying subject matter consists only of one or more of the following—
- (a) interest rates;
  - (b) any index determined by reference to income or retail prices;
  - (c) currency;
  - (d) an asset or liability representing a loan relationship;
  - (e) any other underlying subject matter which is—
    - (i) subordinate in relation to any of the matters mentioned in paragraphs (a) to (d), or
    - (ii) of small value in comparison with the value of the underlying subject matter as a whole.
- (3) Whether part of the underlying subject matter of a derivative contract is subordinate or of small value is to be determined for the purposes of subsection (2)(e) by reference to the time when the company enters into or acquires the contract.
- <sup>F15</sup>(3A) [ For the purposes of section 411(1)(e)(iii) and (2)(d)(iii) losses or gains are in respect of risks arising in the ordinary course of “a financial trade” only so far as the risks relate to amounts which are or are likely to be—
- (a) relevant expense amounts, or
  - (b) relevant income amounts,
- of the worldwide group for any period of account.]
- (4) For the purposes of section 411(1)(f) expenses are “ancillary” to a relevant derivative contract or related transaction if and only if they are incurred directly—
- (a) in bringing, or attempting to bring, the derivative contract into existence,
  - (b) in entering into or giving effect to, or attempting to enter into or give effect to, the related transaction,
  - (c) in making payments under the derivative contract or as a result of the related transaction, or
  - (d) in taking steps to secure the receipt of payments under the derivative contract or in accordance with the related transaction.
- (5) For the purposes of section 411(1)(n) and (2)(l), the following provisions of Chapter 2 of Part 16 of CTA 2010 are “relevant”—
- (a) section 761(3) (type 1 finance arrangements: borrower a company);

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- (b) section 762(3) (type 1 finance arrangements: borrower a partnership);
  - (c) section 766(3) (type 2 finance arrangements);
  - (d) section 769(3) (type 3 finance arrangements).
- (6) In section 411—
- (a) in subsections [F16(1)(b) and (c)] and (2)(b), “related transaction”, “exchange loss” and “exchange gain” have the same meaning as in Parts 5 and 6 of CTA 2009 (see sections 304 and 475 of that Act);
  - (b) in subsections [F17(1)(e) and (f)] and (2)(d), “related transaction”, “exchange loss” and “exchange gain” have the same meaning as in Part 7 of that Act (see sections 596 and 705 of that Act).
- (7) In section 411 and this section—
- “alternative finance arrangements” has the same meaning as in Parts 5 and 6 of CTA 2009 (see section 501(2) of that Act);
  - “alternative finance return” has the same meaning as in Part 6 of CTA 2009 (see sections 511 to 513 of that Act);
  - “creditor quasi-repo” has the same meaning as in Chapter 10 of Part 6 of CTA 2009 (see section 544 of that Act);
  - “creditor repo” has the same meaning as in Chapter 10 of Part 6 of CTA 2009 (see section 543 of that Act);
  - “debtor quasi-repo” has the same meaning as in Chapter 10 of Part 6 of CTA 2009 (see section 549 of that Act);
  - “debtor repo” has the same meaning as in Chapter 10 of Part 6 of CTA 2009 (see section 548 of that Act);
  - “manufactured interest” has the same meaning as in Chapter 9 of Part 6 of CTA 2009 (see section 539(5) of that Act);
  - F18  
...
  - “underlying subject matter” has the same meaning as in Part 7 of CTA 2009 (see section 583 of that Act).

#### Textual Amendments

- F11** Words in s. 412(1) inserted (retrospectively) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 21\(2\)\(a\)](#), 23(1)
- F12** S. 412(1)(ab) inserted (retrospectively) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 21\(2\)\(b\)](#), 23(1)
- F13** Words in s. 412(1)(b) inserted (retrospectively) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 21\(2\)\(c\)](#), 23(1)
- F14** Words in s. 412(1)(c) inserted (retrospectively) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 21\(2\)\(d\)](#), 23(1)
- F15** S. 412(3A) inserted (with effect in accordance with Sch. 8 para. 22 of the amending Act) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 para. 5](#)
- F16** Words in s. 412(6)(a) substituted (retrospectively) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 21\(3\)\(a\)](#), 23(1)
- F17** Words in s. 412(6)(b) substituted (retrospectively) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 21\(3\)\(b\)](#), 23(1)
- F18** Words in s. 412(7) omitted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 3 para. 7](#)

### 413 Adjusted net group-interest expense

- (1) For the purposes of this Part the “adjusted net group-interest expense” of a worldwide group for a period of account of the group is (subject to subsection (2))—

$$A + B - C$$

where—

A is the net group-interest expense of the group for the period (see section 410);

B is the sum of any upward adjustments (see subsection (3));

C is the sum of any downward adjustments (see subsection (4)).

- (2) Where the amount determined under subsection (1) is negative, the “adjusted net group-interest expense” of the group for the period is nil.

- (3) In this section “upward adjustment” means any of the following amounts—

- (a) a relevant expense amount that is brought into account in the financial statements of the group for the period in determining the carrying value of [<sup>F19</sup>a non-financial asset or non-financial liability];
- (b) an amount that [<sup>F20</sup>, in the case of a non-financial asset,] is included in the net group-interest expense of the group for the period by virtue of section 410(5) (capitalised income written off);
- (c) a relevant expense amount that—
  - (i) in the financial statements of the group for the period is recognised in equity or shareholders' funds, and is not recognised as an item of profit or loss or as an item of other comprehensive income, and
  - (ii) is brought into account for the purposes of corporation tax by a member of the group under a relevant enactment, or would be so brought into account if the member were within the charge to corporation tax;

[<sup>F21</sup>(ca) an amount in respect of a loan relationship that is brought into account by a member of the group, for a relevant accounting period in relation to the period of account, under section 330ZA CTA 2009 (debts referable to times before UK property business etc carried on) so far as that amount has not been included in the adjusted net group-interest expense of the group for any earlier period of account;

(cb) an amount in respect of a relevant derivative contract that would be brought into account by a member of the group, for a relevant accounting period in relation to the period of account, under section 607ZA of CTA 2009, if an election under regulation 6A of the Disregard Regulations (as defined in section 421) had effect in relation to the contract, so far as the relevant amount has not been included in the adjusted net group-interest expense of the group for any earlier period of account;

(cc) a relevant income amount in respect of a loan relationship or a relevant derivative contract to which a member of the group is a party that—

- (i) is recognised in the financial statements of the group for the period,
- (ii) is not brought into account by a member of the group, for a relevant accounting period in relation to the period of account, and
- (iii) is expected to be brought into account, or (in the case of a relevant derivative contract) would, if an election under regulation 6A of the Disregard Regulations had effect in relation to the contract, be

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expected to be brought into account, by a member of the group, for another accounting period, under section 330ZA or section 607ZA of CTA 2009;]

<sup>F22</sup>(cd) [ an amount that is brought into account by a member of the group, for a relevant accounting period in relation to the period of account, under section 330(3) of CTA 2009 (debits in respect of pre-trading expenditure) in accordance with an election made under section 330(1)(b) of that Act, so far as that amount has not been included in the adjusted net group-interest expense of the group for any earlier period of account;]

(d) a relevant income amount that is recognised in the financial statements of the group for the period, as an item of profit or loss, so far as it—

(i) is prevented from being brought into account for the purposes of corporation tax by a member of the group by section 322(2) [<sup>F23</sup>, 323A, 358 or 359] of CTA 2009 <sup>F24</sup>..., or

(ii) would be so prevented if the member were within the charge to corporation tax.

(4) In this section “downward adjustment” means any of the following amounts—

(a) a relevant income amount that is brought into account in the financial statements of the group for the period in determining the carrying value of [<sup>F25</sup>a non-financial asset or non-financial liability];

(b) an amount that [<sup>F26</sup>, in the case of a non-financial asset,] is included in the net group-interest expense of the group for the period by virtue of section 410(3) (capitalised expense written off);

(c) a relevant income amount that—

(i) in the financial statements of the group for the period is recognised in equity or shareholders' funds, and is not recognised as an item of profit or loss or as an item of other comprehensive income, and

(ii) is brought into account for the purposes of corporation tax by a member of the group under a relevant enactment, or would be so brought into account if the member were within the charge to corporation tax;

<sup>F27</sup>(ca) [ a relevant expense amount, in respect of a loan relationship or a relevant derivative contract to which a member of the group is a party, that—

(i) is recognised in the financial statements of the group for the period,

(ii) is not brought into account by a member of the group, for a relevant accounting period in relation to the period of account, and

(iii) is expected to be brought into account, or (in the case of a relevant derivative contract) would, if an election under regulation 6A of the Disregard Regulations had effect in relation to the contract, be expected to be brought into account, by a member of the group, for another accounting period, under section 330ZA or section 607ZA of CTA 2009;]

<sup>F28</sup>(cb) [ an amount, in respect of a loan relationship to which a member of the group is a party, that—

(i) is recognised in the financial statements of the group for the period, but

(ii) is prevented from being brought into account in accordance with an election made under section 330(1)(b) of CTA 2009 (debits in respect of pre-trading expenditure);]



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- (d) a relevant expense amount that is recognised in the financial statements of the group for the period, as an item of profit or loss, so far as it—
  - (i) is prevented from being brought into account for the purposes of corporation tax by a member of the group by section 323A [<sup>F29</sup>or 354] of CTA 2009 <sup>F30</sup> ..., or
  - (ii) would so prevented if the member were within the charge to corporation tax;
- (e) a relevant expense amount that is recognised in the financial statements of the group for the period, as an item of profit or loss, so far as—
  - (i) the amount represents a dividend payable in respect of preference shares, and
  - (ii) those shares are recognised as a liability in the financial statements of the group for the period.

[<sup>F31</sup>(5) For the purposes of subsections (3)(a) and (b) and (4)(a) and (b)—

- (a) an asset is a “non-financial asset” if it is not a financial asset for accounting purposes or it is a share in a company,
- (b) a liability is a “non-financial liability” if it is not a financial liability for accounting purposes or it is in respect of a share issued by a company, and
- (c) references to amounts brought into account in determining the carrying value of a non-financial asset or non-financial liability do not include amounts so brought into account as a result of writing off any part of an amount which was itself so brought into account;

and in paragraphs (a) and (b) “share” has the meaning given by section 476(1) of CTA 2009.]

(6) In subsections (3)(c)(ii) and (4)(c)(ii), “relevant enactment” means—

- (a) section 321 or 605 of CTA 2009 (credits and debits recognised in equity), or
- [<sup>F32</sup>(b) section 320B of CTA 2009 (hybrid capital instruments: amounts recognised in equity).]

[<sup>F33</sup>(7) Subsection (8) applies, unless the reporting company elects otherwise, in relation to a period of account of a worldwide group—

- (a) ending on or after 6 April 2020, and
- (b) beginning before 1 April 2023.

(8) In relation to the period of account—

- (a) no amount within any of paragraphs (ca) to (cc) of subsection (3) is to be treated as an “upward adjustment”, and
- (b) no amount within paragraph (ca) of subsection (4) is to be treated as a “downward adjustment”.]

#### Textual Amendments

- F19** Words in s. 413(3)(a) substituted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), Sch. 11 para. 6(2)(a)
- F20** Words in s. 413(3)(b) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), Sch. 11 para. 6(2)(b)
- F21** S. 413(3)(ca)-(cc) inserted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), Sch. 3 para. 8(2)

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- F22** S. 413(3)(cd) inserted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 9(2)**
- F23** Words in s. 413(3)(d)(i) substituted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 8(2)(a)**
- F24** Words in s. 413(3)(d)(i) omitted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by virtue of Finance Act 2019 (c. 1), **Sch. 11 para. 8(2)(b)**
- F25** Words in s. 413(4)(a) substituted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 6(3)(a)**
- F26** Words in s. 413(4)(b) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 6(3)(b)**
- F27** S. 413(4)(ca) inserted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 8(3)**
- F28** S. 413(4)(cb) inserted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 9(3)**
- F29** Words in s. 413(4)(d)(i) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 8(3)(a)**
- F30** Words in s. 413(4)(d)(i) omitted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by virtue of Finance Act 2019 (c. 1), **Sch. 11 para. 8(3)(b)**
- F31** S. 413(5) substituted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 6(4)**
- F32** S. 413(6)(b) substituted (with effect in accordance with Sch. 20 para. 10(b) of the amending Act) by Finance Act 2019 (c. 1), **Sch. 20 para. 8(2)**
- F33** S. 413(7)(8) inserted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 8(4)**

#### 414 Qualifying net group-interest expense

- (1) For the purposes of this Part the “qualifying net group-interest expense” of a worldwide group for a period of account of the group is (subject to subsection (2))—

$$A - B$$

where

A is the adjusted net group-interest expense of the group for the period (see section 413);

B is the sum of any downward adjustments (see subsection (3)).

- (2) Where the amount determined under subsection (1) is negative, “the qualifying net group-interest expense” of the group for the period is nil.
- (3) In this section “downward adjustment” means a relevant expense amount that meets the condition in subsection (4), so far as it relates to—
- a transaction with, or a financial liability owed to, a person who, at any time during the period, is a related party of a member of the group,
  - results-dependent securities, or
  - [<sup>F34</sup>relevant] equity notes.
- (4) The condition mentioned in subsection (3) is that the amount—
- is recognised in the financial statements of the group for the period, as an item of profit and loss, and is not (and is not comprised in) a downward adjustment for the purposes of section 413 (adjusted net group-interest expense), or
  - is (or is comprised in) an upward adjustment for the purposes of that section.

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(5) In a case where—

- (a) the person mentioned in subsection (3)(a) is not a related party of a member of the group during any part of the period of account, or
- (b) during any part of the period of account, the financial liability mentioned in subsection (3)(a) is owed to a person who is not a related party of a member of the group,

the amount of the downward adjustment under subsection (3)(a) is to be reduced by such amount (if any) as is attributable, on a just and reasonable basis, to that part.

#### Textual Amendments

- F34** Word in s. 414(3)(c) inserted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 10**

#### Modifications etc. (not altering text)

- C4** S. 414(3)(b) excluded by S.I. 2006/3296, reg. 22(2) (as inserted (29.12.2017) by [The Corporate Interest Restriction \(Consequential Amendments\) Regulations 2017 \(S.I. 2017/1227\)](#), regs. 1, **3(2)**)
- C5** S. 414(3)(b) excluded by S.I. 2007/3402, reg. 12 (as inserted (29.12.2017) by [The Corporate Interest Restriction \(Consequential Amendments\) Regulations 2017 \(S.I. 2017/1227\)](#), regs. 1, **4(2)**)

## 415 Section 414: interpretation

(1) For the purposes of section 414 a person is treated as not being a related party of a member of the group at any time (“the relevant time”) if at the relevant time—

- (a) the person would (apart from this subsection) be a related party of the member by virtue only of section 466(2) (parties to loan relationship treated as related parties by virtue of financial assistance provided by a related party), and

[<sup>F35</sup>(b) either—

- (i) the condition in subsection (1A) is met, or
- (ii) any of the conditions in subsection (2) is met in relation to the guarantee, indemnity or other financial assistance in question.]

[ The condition is that—

- <sup>F36</sup>(1A) (a) the member in question is a company that has not been UK resident at any time before 29 October 2018,
- (b) the financial assistance in question is provided before that date, and
  - (c) the financial assistance in question is in respect of a loan relationship, derivative contract or relevant arrangement or transaction (within the meaning of section 382(4)) to which the member in question is a party for the purposes of its UK property business.]

(2) The conditions are—

- (a) that the financial assistance is provided before 1 April 2017;
- (b) that the financial assistance is provided by a member of the group;
- (c) that the financial assistance relates only to an undertaking in relation to—
  - (i) shares in the ultimate parent of the group, or
  - (ii) loans to a member of the group;
- (d) that the financial assistance is a non-financial guarantee.

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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- (3) Financial assistance is “a non-financial guarantee” if—
- (a) it guarantees the performance by any person of contractual obligations to provide goods or services to a member of the group,
  - (b) it is given by the person providing the goods or services or by a related party of that person, and
  - (c) the maximum amount for which the guarantor is liable does not exceed the consideration given under the contract for the provision of the goods or services.
- (4) The reference in section 414(3)(b) to “results-dependent securities” is (subject to subsection (8)) to securities issued by an entity where the consideration given by the entity for the use of the principal secured depends (to any extent) on—
- (a) the results of the entity's business, or
  - (b) the results of the business of any other entity that was a member of the group at any time during the period of account of the group.

In this subsection references to a business include part of a business.

- (5) For the purposes of subsection (4) the consideration given by the entity for the use of the principal secured does not fall within paragraph (a) or (b) of that subsection merely because the terms of the security provide—
- (a) for the consideration to be reduced if the results mentioned in that paragraph improve, or
  - (b) for the consideration to be increased if the results mentioned in that paragraph deteriorate.
- (6) An amount does not fall within section 414(3)(b) so far as it is relevant alternative finance return (within the meaning given by section 1019(2) of CTA 2010).
- [<sup>F37</sup>(7) For the purposes of section 414(3)(c), a “relevant equity note” is a security that—
- (a) is an equity note within the meaning of section 1016 of CTA 2010, by reference to satisfying a test in subsection (2) of that section, and
  - (b) would satisfy that test if the “permitted period” for the purposes of that section were the period of 100 years beginning with the date of the security’s issue.]

<sup>F38</sup>(8) .....

#### Textual Amendments

- F35** S. 415(1)(b) substituted (6.4.2020) by [Finance Act 2019 \(c. 1\)](#), [Sch. 5 paras. 33\(2\)](#), 35 (with [Sch. 5 para. 36](#))
- F36** S. 415(1A) inserted (6.4.2020) by [Finance Act 2019 \(c. 1\)](#), [Sch. 5 paras. 33\(3\)](#), 35 (with [Sch. 5 para. 36](#))
- F37** S. 415(7) substituted (with effect in accordance with [Sch. 3 para. 30-36](#) of the amending Act) by [Finance \(No. 2\) Act 2023 \(c. 30\)](#), [Sch. 3 para. 11](#)
- F38** S. 415(8) omitted (with effect in accordance with [Sch. 20 para. 10\(b\)](#) of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), [Sch. 20 para. 8\(3\)](#)

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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### Group-EBITDA

#### 416 Group-EBITDA

- (1) For the purposes of this Part “the group-EBITDA” of a worldwide group for a period of account of the group (“the relevant period of account”) is—

$$\text{PBT} + I + \text{DA}$$

where—

PBT is the group's profit before tax (which may be a negative amount) (see subsection (2));

I is the net group-interest expense of the group for the period (which may be a negative amount) (see section 410);

DA is the group's depreciation and amortisation adjustment (which may be a negative amount) (see subsection (3)).

- (2) For the purposes of this Chapter a worldwide group's “profit before tax” is—
- the sum of the amounts that are recognised in the financial statements of the group for the period, as items of profit or loss, in respect of income of any description other than tax income, less
  - the sum of the amounts that are recognised in the financial statements of the group for the period, as items of profit or loss, in respect of expenses of any description other than tax expense.

In this subsection “tax income” and “tax expense” have the meaning they have for accounting purposes.

[ An amount is not to be taken into account in calculating a worldwide group's profit before tax for the purposes of subsection (2) if it is, or relates to, an R&D expenditure credit within the meaning of section 104A of CTA 2009.]

- (3) In this section the group's “depreciation and amortisation adjustment” means the sum of the following amounts (any of which may be negative)—
- the capital (expenditure) adjustment (see section 417);
  - the capital (fair value movement) adjustment (see section 418);
  - the capital (disposals) adjustment (see section 419).
- (4) The following expressions have the same meaning in sections 417 to 419 as they have in this section—
- “the relevant period of account”;
- “the group's profit before tax”.
- (5) For provision affecting amounts recognised in financial statements in respect of certain profits or losses arising from derivative contracts, see section 420.

#### Textual Amendments

**F39** S. 416(2A) inserted (retrospectively) by [Finance Act 2018 \(c. 3\)](#), [Sch. 8 paras. 6, 23\(1\)](#)

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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#### 417 The capital (expenditure) adjustment

(1) For the purposes of section 416, “the capital (expenditure) adjustment” is—

$$A - B - C$$

where—

A is the sum of the amounts (if any) in respect of relevant capital expenditure which are brought into account in determining the group's profit before tax;

B is the sum of the amounts (if any) in respect of relevant capital expenditure reversals which are brought into account in determining the group's profit before tax;

C is the sum of the amounts (if any) in respect of relevant capital income which are brought into account in determining the group's profit before tax.

(2) In this section “relevant capital expenditure” means—

- (a) expenditure of a capital nature that relates to relevant assets (including any relevant expense amounts previously included in the carrying value of relevant assets) that is recognised in the relevant period of account by way of depreciation or amortisation, or as the result of an impairment review,
- (b) expenditure of a capital nature that relates to relevant assets that is incurred and recognised in the relevant period of account, and
- (c) amounts recognised in the relevant period of account by way of provision in respect of future expenditure of a capital nature that relates to relevant assets.

(3) In this section “relevant capital expenditure reversals” means the reversal in the relevant period of account of any relevant capital expenditure recognised in an earlier period of account.

(4) In this section “relevant capital income” means income of a capital nature that relates to relevant assets.

(5) In this Chapter “relevant asset” means an asset that is—

- (a) plant, property and equipment,
- (b) an investment property,
- (c) an intangible asset,
- (d) goodwill,
- (e) shares in a company, or
- (f) an interest in an entity which entitles the holder to a share of the profits of the entity.

(6) In subsection (5)—

- (a) “plant, property and equipment” has the meaning it has for accounting purposes;
- (b) “investment property” has the meaning it has for accounting purposes;
- (c) “intangible asset” has the meaning it has for accounting purposes (and includes an internally-generated intangible asset);
- (d) “goodwill” has the meaning it has for accounting purposes (and includes internally-generated goodwill);

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- (e) “entity” includes anything which is treated as an entity in the financial statements of the group (regardless of whether it has a legal personality as a body corporate).

Section 712(2) and (3) of CTA 2009 (“intangible asset” includes intellectual property) applies for the purposes of paragraph (c).

- (7) An amount does not fall within A in subsection (1) if it is brought into account in determining a profit or loss on the disposal of a relevant asset.

#### **418 The capital (fair value movement) adjustment**

- (1) In section 416, “the capital (fair value movement) adjustment” means the sum of any relevant fair value movements.
- (2) For the purposes of subsection (1) there is a “relevant fair value movement” where—
- the carrying value of a relevant asset is measured, for the purposes of the financial statements of the group, using fair value accounting, and
  - an amount representing a change in the carrying value of the asset is brought into account in determining the group's profit before tax.
- (3) The amount of the relevant fair value movement is the amount of the change mentioned in subsection (2)(b) and—
- is a positive amount where the change is a loss;
  - is a negative amount where the change is a profit.
- (4) References in this section to a change in the carrying value of a relevant asset do not include a change where the amount brought into account in respect of the change as mentioned in subsection (2)(b) is of a revenue nature.

#### **419 The capital (disposals) adjustment**

- (1) For the purposes of section 416, “the capital (disposals) adjustment” is—

$$A - B + C$$

where—

A is the sum of the amounts (if any) that are brought into account in determining the group's profit before tax and that represent losses on disposals of relevant assets;

B is the sum of the amounts (if any) that are brought into account in determining the group's profit before tax and that represent profits on disposals of relevant assets;

C is the sum of any recalculated profit amounts (see subsections (2) to (8)).

- (2) For the purposes of the definition of C in subsection (1) there is a “recalculated profit amount” where the following two conditions are met.
- (3) The first condition is that an amount is brought into account in determining the group's profit before tax in respect of a profit or loss on the disposal of a relevant asset.
- (4) The second condition is that—
- the relevant proceeds, exceeds
  - the relevant cost.



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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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- (5) The amount of the recalculated profit amount is the amount of the excess mentioned in subsection (4).
- (6) In this section “the relevant proceeds” means the amount of income of a capital nature that is brought into account in determining the profit or loss mentioned in subsection (3).
- (7) In this section “the relevant cost” means (subject to subsection (8)) the amount of expenditure of a capital nature that is brought into account in determining the profit or loss mentioned in subsection (3).
- (8) For the purposes of subsection (7), any adjustment made to the amount brought into account as mentioned in that subsection is to be disregarded where the adjustment is in respect of amounts that—
  - (a) are otherwise recognised, in the financial statements of the group for the relevant period of account, as items of profit or loss, or
  - (b) were so recognised in the financial statements of the group for an earlier period.
- (9) References in this section to a relevant asset include part of a relevant asset.
- (10) References in this section to the disposal of a relevant asset do not include a disposal where the profit or loss (if any) on the disposal is of a revenue nature.
- (11) The condition in subsection (3) is met even if no amount is brought into account as mentioned in that subsection if that is because no gain or loss accrued on the disposal; and subsections (6) to (8) apply accordingly.

*Treatment of derivative contracts in financial statements of worldwide group*

**420 Derivative contracts subject to fair value accounting**

- (1) This section makes provision about the amounts recognised in a worldwide group's financial statements for a period of account (“the relevant period of account”) in respect of derivative contracts.
- (2) Subsection (3) applies where one or more excluded derivative contract amounts are recognised in the group's financial statements for the relevant period of account as items of profit or loss.
- (3) The financial statements are treated for the purposes of this Part (apart from this section) as if the excluded derivative contract amounts were not recognised in the group's financial statements for the relevant period of account.
- (4) In subsections (2) and (3) “excluded derivative contract amount” means an amount which would, on the relevant assumptions, be excluded from section 597(1) of CTA 2009 (amounts recognised in determining a company's profit or loss) as a result of a relevant provision of the Disregard Regulations.
- (5) Subsection (6) applies where, on the relevant assumptions, one or more amounts (“replacement derivative contract amounts”) would be brought into account by members of the group for the purposes of corporation tax in relevant accounting periods as a result of regulation 9 or 10 of the Disregard Regulations.



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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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- (6) The financial statements are treated for the purposes of this Part (apart from this section) as if the replacement derivative contract amounts were recognised in the group's financial statements for the relevant period of account.
- (7) Subsection (9) applies if an accounting period in which a replacement derivative contract amount would, on the relevant assumptions, be brought into account for the purposes of corporation tax contains one or more disregarded periods.
- (8) A “disregarded period” is any period falling within the accounting period—
  - (a) which does not fall within the relevant period of account, or
  - (b) throughout which the company is not a member of the group.
- (9) Where this subsection applies, the replacement derivative contract amount mentioned in subsection (7) is reduced by such amount as is referable, on a just and reasonable basis, to the disregarded period or periods mentioned in that subsection.
- (10) An amount may be reduced to nil under subsection (9).

#### **421 Derivative contracts subject to fair value accounting: interpretation**

- (1) In section 420 “the relevant assumptions” means the following assumptions—
  - (a) that all members of the group are within the charge to corporation tax;
  - (b) that elections under regulation 6A of the Disregard Regulations have effect in relation to each derivative contract of each member of the group;
  - (c) that paragraph (5) of regulation 7 of the Disregard Regulations is of no effect;
  - (d) that where—
    - (i) a member of the group (“member A”) holds a derivative contract,
    - (ii) the group has a hedging relationship between that derivative contract (on the one hand), and an asset, liability, receipt or expense (on the other), and
    - (iii) the asset, liability, receipt or expense is held, or is expected to be received or incurred, by a member of the group other than member A,the asset, liability, receipt or expense is held, or is expected to be received or incurred, by member A;
  - (e) that the financial statements of members of the group deal with derivative contracts and hedged items in the same way as they are dealt with in the group's financial statements.
- (2) For the purposes of subsection (1)(d) the group has a “hedging relationship” between a derivative contract (on the one hand) and an asset, liability, receipt or expense (on the other) if, were those things held, received or incurred by a single company, the company would have a hedging relationship between them.
- (3) Regulation 2(5) of the Disregard Regulations (hedging relationships of a company) applies for the purposes of this section.
- (4) For the purposes of section 420 and this section—
  - (a) “the Disregard Regulations” means the Loan Relationship and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004 (S.I. 2004/3256);
  - (b) the following are “relevant provisions” of the Disregard Regulations—

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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- (i) regulation 7 (fair value profits or losses arising from derivative contracts which are currency contracts);
- (ii) regulation 8 (profits or losses arising from derivative contracts which are commodity contracts or debt contracts);
- (iii) regulation 9 (profits or losses arising from derivative contracts which are interest rate contracts).

*Effect of group-EBITDA (chargeable gains) election*

**422 Group-EBITDA (chargeable gains) election**

- (1) Where a group-EBITDA (chargeable gains) election has effect in relation to a period of account of a worldwide group (“the relevant period of account”), this Chapter applies in relation to the period subject to this section.
- (2) Section 419 (the capital (disposals) adjustment) has effect as if—
  - (a) the definition of C in subsection (1) of that section did not apply, and
  - (b) instead, C were defined for the purposes of that section as—
    - (i) the sum of any relevant gains, less
    - (ii) the sum of any relevant losses,
 or, where that is a negative amount, nil.
- (3) For the purposes of this section, there is a “relevant gain” or “relevant loss” where condition A or B is met.
- (4) Condition A is that a member of the group disposes of a relevant asset during the relevant period of account.
- (5) Condition B is that—
  - (a) a member of the group ceases to be a member of the group during the relevant period of account, and
  - (b) the member held a relevant asset immediately before ceasing to be a member of the group.
- (6) Where condition A is met, the amount of the relevant gain or relevant loss is the amount of the chargeable gain or allowable loss that would, on the assumptions in subsection (8), accrue to the member on the disposal.
- (7) Where condition B is met, the amount of the relevant gain or relevant loss is the amount of the chargeable gain or allowable loss that would, on the assumptions in subsection (8), accrue to the member if the member—
  - (a) disposed of the relevant asset immediately before ceasing to be a member of the group, and
  - (b) received such consideration for that disposal as it is just and reasonable to attribute to it, having regard to the consideration received by the group for its interests in the member.
- (8) The assumptions mentioned in subsections (6) and (7) are that—
  - (a) all members of the group are within the charge to corporation tax;
  - (b) Schedule 7AC to TCGA 1992 (exemptions for disposals by companies with substantial shareholdings) is of no effect;
  - (c) Part 2 (double taxation relief) is of no effect.

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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- (9) Where—
- (a) the sum of any relevant losses, exceeds
  - (b) the sum of any relevant gains,
- the amount of the excess is treated as a relevant loss in relation to the period of account of the group immediately after the relevant period of account.
- (10) In this section “relevant asset” does not include shares in (or other interests giving an entitlement to share in the profits of) a member of the group.

*Effect of interest allowance (alternative calculation) election*

**423 Capitalised interest brought into account for tax purposes in accordance with GAAP**

- (1) Where an interest allowance (alternative calculation) election (see paragraph 16 of Schedule 7A) has effect in relation to a period of account of a worldwide group (“the relevant period of account”), this Chapter applies in relation to the period subject to this section.
- (2) Section 413 (adjusted net group-interest expense of a worldwide group) has effect as if—
- (a) subsections (3)(a) and (4)(a) (which relate to capitalised interest) did not apply in relation to a GAAP-taxable asset or liability, and
  - (b) subsections (3)(b) and (4)(b) (which relate to capitalised interest written off) did not apply in relation to a GAAP-taxable asset or liability.

[ Section 413 has effect, in the case of a GAAP-taxable asset that is a relevant asset, <sup>F40</sup>(2A) as if—

- (a) the definition of “upward adjustment” included so much of its carrying value written down in the group’s financial statements for the relevant period of account as is attributable to a relevant expense amount brought into account in the group’s financial statements in determining its carrying value, and
- (b) the definition of “downward adjustment” included so much of the reduction of its carrying value written down in the group’s financial statements for the relevant period of account as is attributable to a relevant income amount brought into account in the group’s financial statements in determining its carrying value.

[ Section 413 has effect, in the case of a GAAP-taxable asset within subsection (2AB), <sup>F41</sup>(2AA) as if—

- (a) the definition of “upward adjustment” included so much of its carrying value as is attributable to a relevant expense amount (whether or not that amount is brought into account in the group’s financial statements for the relevant period of account); and
- (b) the definition of “downward adjustment” included so much of its carrying value as is attributable to a relevant income amount (whether or not that amount is brought into account in the group’s financial statements for the relevant period of account).

(2AB) A GAAP-taxable asset is within this subsection if it is (or, under section 173 of TCGA 1992, is treated as being) appropriated, in a relevant accounting period in relation to a period of account, from trading stock to fixed assets.]

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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- (2B) For the purposes of subsection (2A) it does not matter whether the relevant expense or income amount is brought into account in determining the asset's carrying value in the group's financial statements for the relevant period of account or an earlier period.]
- (3) [<sup>F42</sup>But subsections [<sup>F43</sup>(2)(b), (2A) and (2AA)] of this section are of no effect so far as] the adjusted net group-interest expense of the group for a period of account before the relevant period of account included any amount by virtue of section 413(3)(a) or (4)(a) in respect of the GAAP-taxable asset or liability.
- (4) For the purposes of this section an asset or liability is “GAAP-taxable” if any profit or loss for corporation tax purposes in relation to the asset or liability falls to be calculated in accordance with generally accepted accounting practice [<sup>F44</sup>(and, for the purposes of this subsection, an asset is a GAAP-taxable asset even if an election under section 730 of CTA 2009 is, or could be, made in respect of it)].
- (5) For the purposes of this section, all members of the group are treated as within the charge to corporation tax.

#### Textual Amendments

- F40** S. 423(2A)(2B) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 7(2)**
- F41** S. 423(2AA)(2AB) inserted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 12(2)**
- F42** Words in s. 423(3) substituted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 7(3)**
- F43** Words in s. 423(3) substituted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 12(3)**
- F44** Words in s. 423(4) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 7(4)**

#### 424 Employers' pension contributions

- (1) Where an interest allowance (alternative calculation) election has effect in relation to a period of account of a worldwide group, this Chapter applies in relation to the period subject to this section.
- (2) The definition of “the group's profit before tax” in subsection (2) of section 416 has effect as if references to amounts that are recognised in the financial statements of the group for the period, as items of profit or loss, did not include amounts so recognised in respect of employer pension contributions.
- (3) The group's profit before tax, as defined in that section, is reduced by the total of the relief to which members of the group are entitled, by virtue of sections 196 to 200 of FA 2004, in respect of relevant employer pension contributions paid during the period.
- (4) In this section—
- “employer pension contributions” means contributions paid by an employer under a registered pension scheme in respect of an individual;
  - employer pension contributions are “relevant” if they are paid at a time at which the employer is a member of the group.

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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## **Unpaid employees' remuneration**

**F45 424A**

- (1) Where an interest allowance (alternative calculation) election has effect in relation to a period of account of a worldwide group, this Chapter applies in relation to the period subject to this section.
- (2) The definition of “the group’s profit before tax” in section 416(2) has effect as if references to amounts that are recognised in the financial statements of the group for the period, as items of profit or loss, excluded amounts so recognised in respect of employees’ remuneration that are not paid before the end of the period of 9 months immediately following the end of the period of account.
- (3) If—
  - (a) an amount is, as a result of subsection (2), excluded from the financial statements of the group for the period of account, and
  - (b) the amount is paid in a later period of account of the group in relation to which an interest allowance (alternative calculation) election has effect,
 the definition of “the group’s profit before tax” in section 416(2) has effect as if references to amounts that are recognised in the financial statements of the group for the later period of account, as items of profit or loss, included the amount that is paid in that later period.
- (4) Section 1289 of CTA 2009 (unpaid remuneration: supplementary) applies for the purposes of this section as it applies for the purposes of section 1288 of that Act.]

### **Textual Amendments**

**F45** S. 424A inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 11 para. 9](#)

## **425 Employee share acquisitions**

- (1) Where an interest allowance (alternative calculation) election has effect in relation to a period of account of a worldwide group, this Chapter applies in relation to the period subject to this section.
- (2) The definition of “the group's profit before tax” in subsection (2) of section 416 has effect as if references to amounts that are recognised in the financial statements of the group for the period, as items of profit or loss, did not include amounts so recognised in respect of employee share acquisition arrangements.
- (3) The group's profit before tax, as defined in that section, is reduced by such amount as, on a just and reasonable basis, reflects the effect on the group in the period of—
  - (a) deductions allowed to members of the group under Part 11 of CTA 2009 (relief for particular employee share acquisition schemes) and amounts treated as received by members of the group under that Part, and
  - (b) relief given to members of the group under Part 12 of that Act (other relief for employee share acquisitions).
- (4) In this section “employee share acquisition arrangements” means arrangements the corporation tax treatment of which is determined under Part 11 or 12 of CTA 2009.
- (5) For the purposes of this section, all members of the group are treated as within the charge to corporation tax.

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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## 426 Changes in accounting policy

- (1) Where an interest allowance (alternative calculation) election has effect in relation to a period of account of a worldwide group (“the relevant period of account”), this Chapter applies in relation to the period subject to this section.
- (2) The financial statements of the group for the relevant period of account are to be treated as subject to such adjustments as would be made to them under the change of accounting policy provisions if the group were a company that—
  - (a) was within the charge to corporation tax,
  - (b) held the assets and owed the liabilities recognised in the financial statements, to the extent that they are so recognised, and
  - (c) carried on the trades and other activities giving rise to amounts recognised in the financial statements as items of profit and loss.
- (3) In this section “the change of accounting policy provisions” means [<sup>F46</sup>the following provisions as modified by subsection (4)]—
  - (a) Chapter 14 of Part 3 of CTA 2009 (trading profits);
  - [ sections 261 and 262 of that Act (property profits);]
  - <sup>F47</sup>(ab)
  - (b) sections 315 to 319 of that Act (loan relationships);
  - (c) sections 613 to 615 of that Act (derivative contracts);
  - (d) Chapter 15 of Part 8 of that Act (intangible fixed assets);
  - (e) the Loan Relationships and Derivative Contracts (Change of Accounting Practice) Regulations 2004 (S.I. 2004/3271);
  - [ paragraphs 12 to 17 of Schedule 14 to FA 2019 (transitional provision
  - <sup>F48</sup>(f) following the repeal of section 53 of FA 2011) so far as they have effect in relation to adjustments under Chapter 14 of Part 3 of CTA 2009 or sections 261 and 262 of that Act.]
- [<sup>F49</sup>(4) The provisions mentioned in subsection (3)—
  - (a) are to have effect for the purposes of this section as if their application were limited to cases where there is a change of accounting policy and as if any election had been made under the provisions, and
  - (b) are to have effect subject to any modifications necessary for the purposes of this section.]

### Textual Amendments

- F46** Words in s. 426(3) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 10(2)(a)**
- F47** S. 426(3)(ab) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 10(2)(b)**
- F48** S. 426(3)(f) inserted (with effect in accordance with Sch. 14 para. 18(2) of the amending Act) by Finance Act 2019 (c. 1), **Sch. 14 para. 18(1)**
- F49** S. 426(4) substituted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by Finance Act 2019 (c. 1), **Sch. 11 para. 10(3)**

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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*Effect of interest allowance (non-consolidated investment) election*

## 427 Group interest and group-EBITDA

- (1) Where an interest allowance (non-consolidated investment) election (see paragraph 17 of Schedule 7A) has effect in relation to a period of account of a worldwide group, this Chapter applies in relation to the period subject to this section.
  - (2) In this section and section 428 (which contains further interpretative provision)—
    - (a) “the principal worldwide group” means the worldwide group mentioned in subsection (1);
    - (b) “the relevant period of account” means the period of account mentioned in subsection (1).
  - (3) The financial statements of the principal worldwide group for the relevant period of account are treated as if—
    - (a) no relevant income amounts were recognised in them, as items of profit or loss, so far as they relate to financial liabilities owed to any member of the principal worldwide group by any member of an associated worldwide group, and
    - (b) no amounts were recognised in them, as items of profits or loss, in respect of any profit or loss attributable to an interest held by any member of the principal worldwide group in any member of an associated worldwide group
  - (4) The adjusted net group-interest expense of the principal worldwide group for the relevant period of account is treated as increased by the appropriate proportion of the adjusted net group-interest expense for the period of each associated worldwide group.
  - (5) The qualifying net group-interest expense of the principal worldwide group for the relevant period of account is treated as increased by the appropriate proportion of the qualifying net group-interest expense for the period of each associated worldwide group.
- [ Any increase to be made as a result of subsection (4) or (5) is to be made as part of a
- <sup>F50</sup>(5A) single calculation required by section 413(1) or 414(1) (so that the amount produced by that calculation is subject to section 413(2) or 414(2)).]
- (6) The group-EBITDA of the principal worldwide group for the relevant period of account is treated as increased by the appropriate proportion of the group-EBITDA of each associated worldwide group for the period.
  - (7) In this section “the appropriate proportion”, in relation to an associated worldwide group means the proportion of the profits or losses of the associated worldwide group arising in the relevant period of account to which the principal worldwide group is entitled.

### Textual Amendments

**F50** S. 427(5A) inserted (with effect in accordance with Sch. 11 para. 22 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 11 para. 11](#)

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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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#### **428 Section 427: associated worldwide groups**

- (1) This section has effect for the purposes of section 427 and this section.
- (2) “Associated worldwide group” means the worldwide group of which a specified non-consolidated associate is the ultimate parent.
- (3) Where (apart from this subsection) a specified non-consolidated associate does not fall within section 473(1)(a) (conditions for being the ultimate parent of a worldwide group), it is treated as if it did fall within that provision.
- (4) Where (apart from this subsection) financial statements of an associated worldwide group are not drawn up in respect of the relevant period of account, IAS financial statements of the associated worldwide group are treated as having been drawn up in respect of that period.
- (5) The associated worldwide group's financial statements for the relevant period of account are treated as if no relevant expense amounts were recognised in them, as items of profit or loss, so far as they relate to financial liabilities owed to any member of the principal worldwide group by any member of the associated worldwide group.
- (6) The reference in section 427(6) to profits or losses of the associated worldwide group to which the principal worldwide group is entitled does not include any profits or losses that relate to times when the non-consolidated associate is a member of the principal worldwide group.
- (7) Subsection (8) has effect in the application of this Part (for the purposes mentioned in subsection (1)) in relation to the financial statements of an associated worldwide group for the relevant period of account.
- (8) The associated worldwide group is treated—
  - (a) as having made an interest allowance (alternative calculation) election if and only if such an election has effect in relation to the relevant period of account of the principal worldwide group, and
  - (b) as not having made any other election under this Part.
- (9) In this section “specified” means specified in the interest allowance (non-consolidated investment) election.

#### **429 Meaning of “non-consolidated associate”**

- (1) An entity is a “non-consolidated associate” of a worldwide group, in relation to a period of account of the group (“the relevant period of account”) if condition A, B [<sup>F51</sup>, C or D] is met.
- (2) Condition A is that [<sup>F52</sup>the ultimate parent’s interest in the entity] is accounted for in the financial statements of the group for the relevant period of account—
  - (a) as a joint venture or an associate, and
  - (b) using the gross equity method or the equity method.
- (3) Condition B is that—
  - (a) the entity is a partnership, and
  - (b) an interest allowance (consolidated partnership) election has effect in relation to the relevant period of account.



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*Changes to legislation: There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)*

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(4) Condition C is the entity is a non-consolidated subsidiary of the ultimate parent at any time during the relevant period of account.

[ Condition D is that—

- <sup>F53</sup>(4A) (a) the entity is—
- (i) a partnership, or
  - (ii) a transparent entity (other than a partnership), and
- (b) the ultimate parent’s interest in the entity is accounted for in the financial statements of the group for the relevant period of account on the basis of fair value accounting.]

(5) In this section the following expressions have the meaning they have for accounting purposes—

- “associate”;
- “equity method”;
- “gross equity method”;
- “joint venture”.

[<sup>F54</sup>(6) For the purposes of this section—

- (a) “entity” includes anything which may be treated as an entity for accounting purposes (regardless of whether it has a legal personality as a body corporate);
- (b) an entity is “transparent” if—
  - (i) it is not chargeable to corporation tax or income tax as a person (ignoring any exemptions), or
  - (ii) it is a collective investment vehicle which is “transparent for income tax purposes” for the purposes of paragraph 8 of Schedule 5AAA to TCGA 1992 (see paragraph 8(7) of that Schedule).]

(7) This section has effect for the purposes of this Part.

#### **Textual Amendments**

- F51** Words in s. 429(1) substituted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 13(2)**
- F52** Words in s. 429(2) substituted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 13(3)**
- F53** S. 429(4A) inserted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 13(4)**
- F54** S. 429(6) substituted (with effect in accordance with Sch. 3 para. 30-36 of the amending Act) by Finance (No. 2) Act 2023 (c. 30), **Sch. 3 para. 13(5)**

#### *Effect of interest allowance (consolidated partnerships) election*

### **430 Interest allowance (consolidated partnerships) election**

- (1) Where an interest allowance (consolidated partnerships) election (see paragraph 18 of Schedule 7A) has effect in relation to a period of account of a worldwide group, this Chapter applies in relation to the period subject to this section.
- (2) The financial statements of the group for the period are treated as if—

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**Changes to legislation:** There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7. (See end of Document for details)

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- (a) no amounts were recognised in them, as items of profit or loss, in respect of any income or expenses of a specified consolidated partnership, and
  - (b) instead, each specified consolidated partnership were accounted for using the equity method.
- (3) In subsection (2)(b) “the equity method” has the meaning it has for accounting purposes.
- (4) In this Part “consolidated partnership”, in relation to a period of account of a worldwide group, means a partnership in relation to which conditions A and B are met.
- (5) Condition A is that, in the financial statements of the worldwide group for the period, the results of the partnership are consolidated with those of the ultimate parent as the results of a single economic entity.
- (6) Condition B is that at no time during the period does the partnership have a subsidiary that is a company.
- (7) In this section—
- (a) “specified” means specified in the interest allowance (consolidated partnerships) election or elections;
  - (b) “subsidiary” has the meaning given by international accounting standards.

### *Interpretation*

#### **431 Interpretation of Chapter**

In this Chapter the following expressions have the meaning they have for accounting purposes—

- “item of profit or loss”;
- “item of other comprehensive income”.]

**Changes to legislation:**

There are currently no known outstanding effects for the Taxation (International and Other Provisions) Act 2010, CHAPTER 7.