

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 108: Provision Supplementing Section 107

Summary

1. This section provides contains provisions that are supplementary to section 107.

Details of the Section

2. Subsection (1) sets out the formula for calculating the tax reduction of the first party of the purposes of section 107(3)(b) and (7).
3. Subsection (2) specifies for the purposes of section 107(3)(b) and (7) the assumptions that must be made in determining the resulting increase in the second party's total liability to relevant taxes.
4. Subsection (3) identifies the steps taken to minimise the tax liability that would fall to be paid by the second party for the purpose of the assumptions required to be made under subsection (2)(c).
5. Subsection (4) provides that, for the purposes of this section, any withholding tax that falls to be paid in relation to payments made to the second party is (as long as it is not refunded) treated as tax that falls to be paid by the second party, and not the person making the payment.
6. Subsection (5) sets out, for the purposes of this section, the conditions under which an amount of tax is considered to be refunded. It also provides that the refunded amount is ignored if it results from qualifying loss relief. Qualifying loss relief is defined in subsection (7).
7. Subsection (6) applies where the second party is a partnership and extends any references to the partnership's liability to tax, to tax being payable by the partnership, and to loss relief obtained by the partnership to include references to those things being liabilities of, tax payable by and loss relief obtained by, as specified, all or any of the members of the partnership.
8. Subsection (7) defines "the first party", "the second party", "qualifying deduction", "qualifying loss relief", and "relevant tax" for the purposes of the section.

Background Note

9. The diverted profits tax is a new charge on diverted profits. The main objective is to counteract contrived arrangements used by large groups (typically multinational enterprises) that result in the erosion of the UK tax base.