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## SCHEDULES

### SCHEDULE 12

#### PILLAR TWO

#### PART 4

##### MINOR AND TECHNICAL CHANGES

##### *Chapter 2 of Part 3 (qualifying multinational groups and their members)*

- 48 (1) In section 127(12) (excluded entities) for “pensions service” substitute “pension services”.
- (2) In section 128 (responsible members)—
- (a) in subsection (2)—
    - (i) for “its members” substitute “the members of the group”, and
    - (ii) for “it” substitute “the ultimate parent”, and
  - (b) in subsection (7)—
    - (i) in the words before paragraph (a), after “tax” insert “for an accounting period”,
    - (ii) in paragraph (a), at the beginning insert “the period commences on or after 31 December 2023 and”, and
    - (iii) in paragraph (b), in sub-paragraph (i), after “force” insert “for the period”.
- (3) In section 130 (change in composition of multinational group), in subsection (5)—
- (a) after “in” insert “all, or substantially all, of the members of”, and
  - (b) after “becoming” insert “members of”.

##### *Chapter 3 of Part 3 (effective tax rate)*

- 49 (1) In section 132(2) (effective tax rate), in the words after paragraph (c) for “164” substitute “174”.

##### *Chapter 4 of Part 3 (calculation of adjusted profits)*

- 50 (1) In section 138(1) (profits adjusted to be before tax), omit “its”.
- (2) In section 140 (profits adjusted to be profits before certain purchase accounting adjustments)—
- (a) in subsection (2), for “shares” substitute “ownership interests”, and
  - (b) in subsection (3)—
    - (i) for “shares” substitute “ownership interests”, and

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- (ii) for the words from “it” to the end substitute “the members of the group do not have sufficient records to identify the adjustment made with reasonable accuracy.”
- (3) In section 142 (excluded equity gain or loss), in subsection (2)(b) omit “other than an interest to which subsection (3) applies.”
- (4) In section 149 (arm’s length requirement for certain transactions), in subsection (6) for “the member” substitute “both that member and the other member”.
- (5) In section 150 (tax treatment of transactions between members of a multinational group)—
  - (a) in subsection (6)—
    - (i) in paragraph (a), for “in the territory in which the member is located” substitute “that applies to the member”, and
    - (ii) in paragraph (b), for “that territory” substitute “the territory in which the member is located”, and
  - (b) after that subsection insert—
    - “(6A) But—
      - (a) for the purposes of subsection (6)(b), ignore any accounting period in which there was no standard member of the group in that territory to which the Pillar Two rules applied, and
      - (b) a standard member of a multinational group is always to be regarded as a high tax member for an accounting period if a transitional safe harbour election applies to it for that period.”
- (6) In section 165 (election to have excluded equity gains and losses included), in subsection (2)—
  - (a) after the words before paragraph (a) insert—
    - “(a) either—”,
  - (b) the existing paragraphs (a) and (b) become sub-paragraphs (i) and (ii) of the paragraph (a) inserted above, and
  - (c) at the end of sub-paragraph (ii) insert “, and
    - (b) in the case of gains or losses falling within section 142(2)(b), the gains or losses are not in respect of an interest to which section 142(3) applies.”

#### *Chapter 5 of Part 3 (covered tax balance)*

- 51 (1) In section 185(2)(a) (inclusion of existing deferred tax assets and liabilities on entry into regime), after “asset” insert “or liability”.
- (2) In section 186 (deferred tax assets recorded at less than minimum rate)—
  - (a) for subsection (2) substitute—
    - “(2) But this section only applies in relation to a deferred tax asset of the member falling within subsection (1) if the filing member accounts for all such assets of the member in accordance with this section in an information return submitted to HMRC or a qualifying authority (see paragraph 10(5) of Schedule 14).”, and
  - (b) omit subsection (8).

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- (3) In section 187 (election for losses to be treated as special loss deferred tax assets), in subsection (6)—
- (a) for paragraph (b) substitute—
    - “(b) the result of Step 2 in section 132(1) multiplied by 15%.”,
    - and
  - (b) in the words after paragraph (b), for “where subsection (5) applies” substitute “in which the election has effect”.

#### *Chapter 6 of Part 3 (calculation of top-up amounts)*

- 52 (1) In section 194 (total top-up amount for a territory), in subsection (3), for “in”, in the third place it occurs, substitute “for”.
- (2) In section 196 (eligible payroll costs), in subsection (3), for ““Employee”” substitute “In this section “employee””.
- (3) In section 197 (eligible tangible asset amount)—
- (a) for subsection (1) substitute—
    - “(1) To determine the eligible tangible asset amount of a member of a multinational group for an accounting period—
    - (a) add together—
      - (i) the sum of the recorded carrying values of each eligible tangible asset held by the member at the start of the period, and
      - (ii) the sum of the recorded carrying values of each eligible tangible asset held by the member at the end of the period, and
    - (b) divide the result of [paragraph \(a\)](#) by 2.”, and
  - (b) omit subsection (2).

#### *Chapter 7 of Part 3 (allocating top-up amounts)*

- 53 (1) Section 201 (inclusion ratio) is amended as follows.
- (2) In subsection (1), in Step 2, after “held by” insert “individuals and”.
- (3) In subsection (2)—
- (a) after “held by” insert “individuals and”, and
  - (b) after “such” insert “individuals and”.

#### *Chapter 8 of Part 3 (further adjustments)*

- 54 (1) In section 205 (election to carry forward and reduce collective additional amount)—
- (a) in subsection (1), after “amount” insert “under section 203”,
  - (b) in subsection (2)(a)—
    - (i) after “amount”, in the second place it occurs, insert “under section 203”, and
    - (ii) for “those members” substitute “the members of the group in the relevant territory”,

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- (c) in subsection (2)(b), after “amount”, in the first place it occurs, insert “under section 203”, and
  - (d) in subsection (3), after “amount”, in the second place it occurs, insert “under section 203”.
- (2) In section 217(8) (post filing adjustments of covered taxes), in paragraph (a), at the beginning insert “the reduction of the covered tax balance of the member for the prior period resulting from”.

*Chapter 9 of Part 3 (special provision for investment entities etc)*

- 55 (1) In section 220(3) (top-up amount of investment entity) for “section 33(2)” substitute “that Chapter”.
- (2) In section 221(4) (substance based income exclusion for investment entity), for “Schedule 12” substitute “Schedule 14”.
- (3) In section 229(3) (multi-parent groups), for “section 127(3)” substitute “section 128(3)”.

*Chapter 10 of Part 3 (definitions etc)*

- 56 (1) In section 231(1) (meaning of entity)—
- (a) after paragraph (a), insert “or”,
  - (b) omit paragraphs (b) and (c), and
  - (c) in paragraph (d)—
    - (i) omit “other”, and
    - (ii) after “the arrangement” insert “(such as a partnership or trust)”.
- (2) In section 232(1)(a) (permanent establishments treated as entities), for “of the main entity” substitute “in which the main entity is located”.
- (3) In section 235(1)(b) (pension funds and pension services entities), at the beginning insert “it is”.
- (4) In section 244 (calculating percentage ownership interests of a class), in subsection (2)(a), after “by” insert “an individual or by”.
- (5) In section 245 (calculating percentage ownership interests: excluded entities), in subsection (2), after “Where” insert “an individual or”.
- (6) In section 246(1)(b)(ii) (calculating percentage direct and indirect ownership interests) for “E” substitute “F”.
- (7) In section 248 (exclusion of indirect interests held through ultimate parent), after “entity” insert “or individual”.
- (8) In section 249(2) (consolidated financial statements)—
- (a) for “an” substitute “the”, and
  - (b) after “standard” insert “that is used as the basis for the statements that would have been prepared”.
- (9) In section 252(3) (application to sovereign wealth funds), for “government” substitute “governmental”.

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- (10) In section 253 (refundable imputation taxes)—
- (a) in subsection (1)(a)(i)—
  - (b) for “in respect of a dividend made by the member and is” substitute “as a result of a dividend made by the member,”, and
  - (c) in subsection (2)(b)—
    - (i) in sub-paragraph (v), for the words from “, a resident pension fund” to the end substitute “or a resident pension fund”,
    - (ii) omit the “or” after that sub-paragraph, and
    - (iii) after that sub-paragraph insert—
      - “(va) a resident investment entity that is not a member of the group, or”.
- (11) In section 259 (other definitions), in subsection (1)—
- (a) at the appropriate place insert—
    - ““deemed distribution” has the meaning given by section 215(4)(c);”,
    - and
  - (b) in the definition of “tax treaty”, for “agreement for” substitute “international agreement for, or provision of an international agreement concerned with,”.

#### *Part 4 (domestic top-up tax)*

- 57 (1) In section 271 (election to make one member of a group liable for amounts charged)—
- (a) in subsection (1) for “responsible” substitute “elected”,
  - (b) in subsection (2) for “responsible”, in both places it occurs, substitute “elected”, and
  - (c) in subsection (3) for “responsible” substitute “elected”.
- (2) In section 272 (determining top-up amounts of entity that is a member of a group), in subsection (8)(c)(i) for “after subsection (1) there were inserted” substitute “for subsection (1A) there were substituted”.
- (3) In section 273 (determining top-up amounts of entity that is not a member of a group), in subsection (4)—
- (a) in the words before paragraph (a), after “domestic” insert “entity”,
  - (b) in paragraph (e), for “subsection (2)(c)” substitute “subsection (3)(c)”,
  - (c) after paragraph (p), insert—
    - “(pa) in section 173 (covered taxes), subsection (1)(b);”.

#### *Schedules 14 to 17*

- 58 (1) In Schedule 14 (administration)—
- (a) in paragraph 6 (registration), after sub-paragraph (1) insert—
    - “(1A) The reference to a multinational group in sub-paragraph (1) does not include a group exclusively comprised of excluded entities (who are only regarded as members of the group for certain purposes in accordance with section 127(2)).”
  - (b) in paragraph 34 (group payment notices)—

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- (i) in sub-paragraph (2), for “the time the liability to tax arose” substitute “any time in the accounting period to which the amount payable relates”,
  - (ii) after that sub-paragraph insert—
    - “(2A) The references to a member of a group in sub-paragraph (2) do not include a member of a group that is—
      - (a) a securitisation company (within the meaning given by section 267(4)),
      - (b) a covered bond vehicle (within the meaning given by [section 272A\(5\)](#)), or
      - (c) an investment entity.”
  - (c) in paragraph 35(1), for “ring-fenced entity”, in the second place it occurs, substitute “member of a ring-fenced body sub-group that the entity is a member of”,
  - (d) in paragraph 36(3), for the words from “person” to the end substitute “recipient is not a person to whom the notice can be given (see paragraphs 34(2) and (2A) and 35(1)).”, and
  - (e) in paragraph 37—
    - (i) in sub-paragraph (4)(b), after “for” insert “income tax or”, and
    - (ii) in sub-paragraph (6), for “payer” substitute “payee”.
- (2) In Schedule 15 (elections)—
- (a) in paragraph 1(1), after paragraph (a) insert—
    - “(aa) section 141(7);”, and
  - (b) in paragraph 2(1)—
    - (i) after paragraph (e) insert—
      - “(ea) section 199;”, and
    - (ii) after paragraph (f) insert—
      - “(fa) section 216;”.
- (3) In Schedule 16 (multinational top-up tax: transitional provision), in paragraph 10—
- (a) the existing words become sub-paragraph (1),
  - (b) in the words before paragraph (a) of that sub-paragraph—
    - (i) for “section 226” substitute “section 227”, and
    - (ii) after “groups” insert “, that Chapter has effect as if”,
  - (c) in paragraph (a) of that sub-paragraph, for “3(2)(c)” substitute “3(2)(b)”, and
  - (d) after that sub-paragraph insert—
    - “(2) For that purpose ignore section 227(1)(a) (reference to ultimate parent treated as reference to joint venture parent).
    - (3) Accordingly, the filing member of a multinational group may make a separate transitional safe harbour election in respect of joint venture members of a joint venture group in a territory.”
- (4) In Schedule 17 (index of defined expressions), in the table—
- (a) in the definition of “government entity”, for “government” substitute “governmental”,

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- (b) in the definition of “pensions services entity” for “pensions” substitute “pension”, and
- (c) at the appropriate places insert—

“CFS currency	section 254(1)”;
“country-by-country report	<a href="#">section 251A</a> ”;
“covered bond vehicle	<a href="#">section 272A(5)</a> ”;
“domestic purposes (in Part 4)	section 272(1)”;
“domestic entity purposes (in Part 4)	section 273(1)”;
“securitisation company	section 267(4)”;
“tax equity partnership arrangement	<a href="#">section 176D(5)</a> ”;
“transitional safe harbour election	section 255(6)”.

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 9 para. 132(1) Sch. 9 para. 132 renumbered as Sch. 9 para. 132(1) by [S.I. 2024/356 reg. 4\(23\)\(a\)](#)
- Sch. 9 para. 125(1)(c) and word inserted by [S.I. 2024/356 reg. 4\(3\)\(b\)](#)
- Sch. 9 para. 125(3A) inserted by [S.I. 2024/356 reg. 4\(6\)](#)
- Sch. 9 para. 126(1)(c) inserted by [S.I. 2024/356 reg. 4\(9\)\(c\)](#)
- Sch. 9 para. 126(3A) inserted by [S.I. 2024/356 reg. 4\(10\)](#)
- Sch. 9 para. 127A and cross-heading inserted by [S.I. 2024/356 reg. 4\(12\)](#)
- Sch. 9 para. 128(6)(a)(zi) inserted by [S.I. 2024/356 reg. 4\(13\)](#)
- Sch. 9 para. 129(1)(c)(d) inserted by [S.I. 2024/356 reg. 4\(15\)\(b\)](#)
- Sch. 9 para. 129(2)(c) and word inserted by [S.I. 2024/356 reg. 4\(16\)\(b\)](#)
- Sch. 9 para. 130A and cross-heading inserted by [S.I. 2024/356 reg. 4\(21\)](#)
- Sch. 9 para. 132(2)-(5) inserted by [S.I. 2024/356 reg. 4\(23\)\(c\)](#)
- Sch. 9 para. 132A and cross-heading inserted by [S.I. 2024/356 reg. 4\(24\)](#)
- Sch. 9 para. 132(1) words inserted by [S.I. 2024/356 reg. 4\(23\)\(b\)](#)