

# Draft clauses for Digital Services Tax

## Explanatory Notes

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## Clause 1: Digital services tax: introduction

### Summary

1. This clause establishes a new tax called the Digital Services Tax (DST). It provides that HM Revenue & Customs (HMRC) will be responsible for its collection and management

### Details of the clause

2. Subsections 1 to 3 introduce and provide an overview of the DST. They set out that the new tax will be charged on “UK digital services revenues”. The meaning of this and other key expressions will be defined and explained in the legislation. The legislation will also set out how the DST is calculated and the reporting requirements for the new tax.

### Background note

3. This is clause 1 of 32 in establishing the Digital Services Tax (DST). This clause introduces the DST and provides that HMRC will be responsible for its collection and management.
4. The DST will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The DST is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.
5. The tax will apply at the rate of 2% to the group revenues derived from UK users of the relevant activities. There will be an alternative calculation available which in limited circumstances will reduce the effective rate of taxation where the UK operating margin of the activity is very low.
6. The tax will only apply where the group receives £500m of revenue from the relevant activities of which £25m is from UK users. It does not matter where companies receiving the revenue are located.
7. The government believes in international co-operation regarding the future of tax on large international businesses. The DST, and progress made in international discussions on the future of corporation taxes, will be reviewed in 2025. The outcome of that review will be reported to Parliament.
8. HMRC will be responsible for administering the new tax.
9. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).

## Clause 2: Meaning of “digital services revenues”

### Summary

1. This clause defines what is meant by “digital services revenues” for the purposes of the DST legislation.

### Details of the clause

2. Subsection 1 introduces the clause.
3. Subsection 2 defines “digital services revenues” and clarifies that “digital services revenues” are those that arise from members of the whole group.
4. Subsection 3 clarifies that revenues should be apportioned on a just and reasonable basis when they are not wholly attributable to a digital services activity.

### Background note

5. This is clause 2 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
6. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 3: Meaning of “UK digital services revenues”

### Summary

1. This clause defines the meanings of “UK digital services revenues” for the purposes of the DST legislation.

### Details of the clause

2. Subsection 1 introduces the clause.
3. Subsection 2 to 5 defines “UK digital services revenues” including what is meant by revenues attributable to a UK user. This includes where advertising is being targeted at a UK user or where a UK user is party to a transaction taking place on an online marketplace. This includes transactions involving UK land or property.
4. Subsection 6 confirms that sales made in connection with an online marketplace include the hiring of goods or other property.
5. Subsection 7 defines what is meant by “online advertising revenues”, which includes revenues arising in connection with the provision or facilitation of online advertising. It also defines “online marketplace revenues”.

### Background note

6. This is clause 3 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
7. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 4: Meaning of “digital services activity” etc

### Summary

1. This clause defines the meaning of “digital services activity” for the purposes of the DST legislation. The clause goes on to set out the conditions that define each of the “digital services activity” described.

### Details of the clause

2. Subsection 1 introduces the clause.
3. Subsection 2 sets out the three activities that are meant by “digital services activity”.
4. Subsection 3 defines “social media platform” by setting out the conditions for an online platform to be considered a “social media platform”.
5. Subsection 4 defines “online marketplace” by setting out the conditions for an online platform to be considered an “online marketplace”.
6. Subsection 5 clarifies what is meant by “thing” when used in conjunction with “online marketplace”. It also confirms that the sale of a thing through an online marketplace includes hiring it.
7. Subsection 6 clarifies that the three types of digital services activity include any associated online advertising business as well as the defined activity.
8. Subsection 7 defines “associated online advertising business” for the purpose of this legislation.
9. Subsection 8 identifies where to find additional legislation regarding online financial marketplaces which are relevant to this section and the definition of online marketplace.

### Background note

10. This is clause 4 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
11. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 5: Meaning of “UK user”

### Summary

1. This clause defines the meaning of “UK user” for the purposes of the DST legislation.

### Details of the clause

2. This clause defines “UK user” as someone who it is reasonable to assume is normally in the UK or is established in the UK.

### Background note

3. This is clause 5 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
4. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 6: Online financial marketplaces

### Summary

1. This clause sets out the exemption for financial service providers from the definition of an “online marketplace” as defined under clause 4.

### Details of the clause

2. Subsection 1 sets out the exemption for a “financial services provider” where most of relevant revenues have come from the provision of the financial services. In this case “most” means more than half of the relevant revenues.
3. Subsection 2 defines what is meant by “financial services provider” with reference to the Financial Services and Markets Act 2000 and Payment Services Regulations 2017.
4. Subsection 3 defines what is meant by “corresponding activity”, “financial asset” and “relevant revenues” for the purposes of this clause.

### Background note

5. This is clause 6 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
6. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 7: Meaning of “the threshold conditions”

### Summary

1. This clause sets out the thresholds that must be met before a group is subject to DST. The thresholds are based on the group’s total revenues from their digital services activities and those revenues which are attributable to UK users.

### Details of the clause

2. Subsection 1 defines the level of the two threshold conditions, one for the group’s worldwide revenues and the other for those related only to UK revenues. Both conditions must be met for the DST to apply.
3. Subsection 2 confirms the duration over which the thresholds apply, and that apportionment of the thresholds will apply for periods of less than a year.

### Background note

4. This is clause 7 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
5. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 8: Charge to DST

### Summary

1. This clause introduces the charge to DST. The clause sets out how to calculate the group's total liability to DST and how this should be allocated to individual entities in the group.

### Details of the clause

2. Subsection 1 introduces the clause which applies where the threshold conditions for an accounting period are met.
3. Subsection 2 sets out that each member of the group for a period of account is liable to the DST liability of the whole group for that period of account.
4. Subsection 3 sets out the steps to take in order to calculate the group amount of DST liability.
5. Subsection 4 sets out that the attributable amount of DST liability for each member of the group is based on the proportion of UK digital services revenue arising to each member of the group.
6. Subsection 5 confirms that the £25 million allowance is apportioned proportionately for periods of less than a year.
7. Subsection 6 sets out that this clause is conditional on the "alternative basis of charge". This is also known as the safe harbour and should be of value where a relevant activity has a low or negative operating margin.

### Background note

8. This is clause 8 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
9. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 9: Alternative basis of charge

### Summary

1. This clause sets out how a group may elect to use the alternative basis of charge when calculating their DST liability. This is also known as the “safe harbour” election.
2. The alternative basis of charge or “safe harbour” will be of value where a relevant activity has a very low or negative UK operating margin. Where an election is made to calculate DST liability for a relevant activity under the alternative basis of charge, it will typically result in a lower rate of DST applying to the revenues attributable to that relevant activity, or where the relevant activity has a negative margin, there will be no liability at all.

### Details of the clause

3. Subsection 1 to 2 sets out the need for a group to make a claim if they would like to use the alternative basis of charge and that a claim must be made against a specific category of revenue. This means it is possible for a group to make up to 3 claims for the alternative basis of charge.
4. Subsection 3 confirms that those categories of revenue of social media, internet search engine and online marketplace.
5. Subsection 4 sets out the steps for calculating the DST charge for each member of the group using the alternative basis of charge. This includes identifying the amount of digital service revenue that has belongs to each of the three categories of revenue, splitting out the £25m allowance across those groups if necessary, calculating an operating margin for each category and using the operating margin to calculate the alternative charge to DST.
6. Subsection 5 sets out that the £25m allowance must be proportionately reduced for periods of account less than a year.
7. Subsection 6 defines what is meant by “the appropriate proportion”, “relevant expenditure”, “relevant person” and “specified” for the purposes of the clause.

### Background note

8. This is clause 9 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
9. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of

large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 10: Section 9: meaning of “relevant operating expenses”

### Summary

1. This clause defines “relevant expenditure” for the purposes of section 9. The “relevant expenditure” is used in calculating the DST liability using the alternative basis of charge.

### Details of the clause

2. Subsection 1 introduces the clause.
3. Subsection 2 defines “relevant operating expenses” as any expenditure attributable to the earning of UK digital services revenues, apart from excluded expenses.
4. Subsection 3 defines what is meant by “excluded expenses” which cannot be used in the calculation under the alternative basis of charge.
5. Subsection 4 explains that where an expense is attributable to a digital service activity and something else the expense can only be deducted to the extent that they are just and reasonably attributable to the digital services activity.
6. Subsection 5 confirms that digital services activity is in reference to providing the three activities already defined in the legislation: social media platform, internet search engine or online marketplace.

### Background note

7. This is clause 10 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
8. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 11: Relief for certain cross-border transactions

### Summary

1. This clause explains the treatment of cross border transactions in respect of the revenue and expenses that arise in connection with those transactions.

### Details of the clause

2. Subsection 1 introduces the clause and that it only applies when a claim is included in the return for an accounting period.
3. Subsection 2 to 3 sets out the amount of revenue and expenses that are to be disregarded in the event of a cross-border transaction.
4. Subsection 4 defines “relevant cross-border revenues” for the purposes of the legislation.
5. Subsection 5 defines “foreign user”, “territory” and “foreign DST charge”.

### Background note

6. This is clause 11 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
7. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 12: When DST is due and payable

### Summary

1. This clause sets out the date on which the DST is due and payable.

### Details of the clause

2. This clause sets out the date on which the DST is due and payable, which is on the day following the end of 9 months from the end of the period of account. This is the same date on which Corporation Tax would be payable for a company.

### Background note

3. This is clause 12 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
4. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 13: Meaning of “the responsible member”

### Summary

1. This clause defines the meaning of “the responsible member” of a group for the purposes of the DST legislation and how a member of a group can become “the responsible member”. The responsible member will generally be the point of contact between HMRC and the group.
2. The responsible member will have various obligations regarding the DST including submitting returns and making payment to HMRC. These obligations are set out later in the legislation.

### Details of the clause

3. Subsection 1 sets out that “the responsible member” of a group is either nominated or the parent of the group.
4. Subsection 2 sets out the conditions under which a person may be nominated as “the responsible member” including being a member of the group and doing so with the consent of the parent that the responsible member can act on behalf of the group.
5. Subsection 3 sets out when a nomination is no longer valid, either by an action of the group or HMRC.
6. Subsection 4 to 6 provides reasons why HMRC may revoke a nomination and sets out how HMRC may revoke a nomination.

### Background note

7. This is clause 13 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
8. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 14: Continuity of obligations etc where change in the responsible member

### Summary

1. This clause sets out what happens regarding the obligations of the responsible member for a group should the responsible member change at any time. The clause ensures that there is a continuity of obligations for the group should a change in the responsible member occur.

### Details of the clause

2. Subsection 1 introduces the clause and when a change in the responsible member may occur.
3. Subsection 2 to 6 sets out that the new responsible member takes on the obligations and liabilities of the old responsible member. It clarifies any actions taken by the old responsible member will be treated as being done by the new responsible member.
4. Subsection 7 sets out the definitions of “notified”, “relevant obligations and liabilities” and “relevant purposes”.
5. Subsection 8 confirms to what extent HMRC can impose penalties on new and old responsible members following a change.

### Background note

6. This is clause 14 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
7. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 15: Duty to notify HMRC when threshold conditions are met

### Summary

1. This clause sets out the duty for a group to notify HMRC when it has met the DST thresholds conditions and the time by which they need to make that notification.

### Details of the clause

2. Subsection 1 sets out the time period in which this clause applies.
3. Subsection 2 sets out that notification is the responsibility of the responsible member of the group.
4. Subsection 3 to 5 sets out how and when the notification is to be made and confirms further details will be specified in a notice published by HMRC.

### Background note

5. This is clause 15 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
6. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 16: Duty to notify HMRC of change in relevant information

### Summary

1. This clause sets out the duty for a group to notify HMRC when there is a change in relevant information and how that notification is to be made.

### Details of the clause

2. Subsection 1 sets out when this clause applies.
3. Subsection 2 to 4 sets out how and when the notification must be given.
4. Subsection 5 gives the definition of “specified” as used in subsection 3.
5. Subsection 6 gives the definitions of “relevant information” and “relevant time”.

### Background note

6. This is clause 16 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
7. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 17 and Schedule 1: Duty to file returns

### Summary

1. This clause sets out when the responsible member of the group must file a DST return and what must be included in the return. These details are contained in Schedule 1.

### Details of the clause and Schedule

2. Subsection 1 introduces the clause and that they apply once the threshold conditions have been met by a group.
3. Subsection 2 sets out the obligations of the responsible member to file a DST return.
4. Subsection 3 to 5 allows for HMRC to suspend the duty to submit a return and sets out the conditions under which the duty may be suspended.
5. Subsection 6 identifies Schedule 1 as containing details about the DST return and administration of the returns.

### Schedule 1: Returns, enquiries, assessments and appeals

6. Schedule 1 sets out administrative requirements regarding the filing of a DST return, including what the return should contain, the process for changes and penalties for failure to adhere to these provisions.
7. Part 1 introduces the schedule including the date by which a return must be filed. Part 1 also defines that is meant by “tax”, “tribunal” and “HMRC” for the purposes of the Schedule.
8. Part 2 sets out what must be included in the return, that it is self-assessed and the reasonability of the “responsible member” for the group. Part 2 also sets out how a responsible person may amend their return, extent to which HMRC may correct the return and what penalties may be incurred for failure to adhere to the provisions.
9. Part 3 sets out that the responsible member of the group has a duty to keep and preserve records regarding the DST. These must be preserved until the sixth anniversary of the end of the accounting period. Any additional requirements may be specified by the Commissioned in a published notice.
10. Part 4 sets out the process by which HMRC may enquire into a DST return, the scope of an enquiry and the various outcomes that might arises.
11. Part 5 describes what determinations of tax chargeable HMRC may make if no DST return is delivered and when these determinations would be superseded.

12. Part 6 sets out the process for HMRC to make assessments where loss of tax has been discovered. The Part sets out what restrictions there are on an assessment, time limits for an assessment and the procedure which it must follow.
13. Part 7 sets out the appeals procedure and time limits for a group should they wish to appeal against a HMRC decision on tax.

## Background note

14. This is clause 17 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
15. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 18: Meaning of “group”, “parent” etc

### Summary

1. This clause sets out the definitions of the terms “group”, “parent” and several others as they are used in the Digital Services Tax legislation. These terms help define what companies and revenues will be taxable for the purposes of the DST.

### Details of the clause

2. Subsection 1 defines the meaning of “group” for the purposes of the Digital Services Tax. The “group” consists of the ultimate parent and all of its consolidated subsidiaries. This is based on the treatment under the applicable accounting standards.
3. Subsection 2 defines Condition A, which is used in Section 1. This condition references being member of a GAAP group, meaning Generally Accepted Accounting Practice.
4. Subsection 3 defines Condition B, also used in Section 1.
5. Subsection 4 defines the meaning of “parent” and “member” of a group. It also defines a “single-company group” and “multi-company” group. To be a “parent” the entity will need to be a relevant entity which is not a consolidated subsidiary of another entity that could be a “parent”.
6. Subsection 5 defines “GAAP group”.
7. Subsection 6 states in which section the meaning of “the applicable accounting standards” can be found in the legislation.

### Background note

8. This is clause 18 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
9. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 19: Section 18: meaning of “relevant entity”

### Summary

1. This clause provides the definition of “relevant entity”, which is used in the group definition, and it also sets out what is not a “relevant entity”.

### Details of the clause

2. Subsection 1 sets out the meaning of “relevant entity”. This includes companies or other entities which have shares or other interests which are listed on a recognised stock exchange and are sufficiently widely held.
3. Subsection 2 defines what is meant by shares or other interests in an entity being “sufficiently widely held”.
4. Subsection 3 sets out what is not a “relevant entity”.
5. Subsection 4 identifies where the meanings of “participator” and “recognised stock exchange” can be found in legislation. Shares or other interests being listed on a recognised stock exchange is also given context.
6. Subsection 5 identifies where the meaning of “company” can be found in the legislation.

### Background note

7. This is clause 19 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
8. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 20: Continuity of a group over time

### Summary

1. This clause sets out the conditions that determine if a group has remained the same in different time periods. This will be relevant when members of a group change, through acquisition, disposal or other method, over time.

### Details of the clause

2. Subsection 1 introduces the clause which is to be used to determine if a group has remained the same in different time periods.
3. Subsection 2 provides the two conditions that must be met to conclude that a group is the same group over different time periods. It is conditional on the who the parent of the group is during the different time periods in question.

### Background note

4. This is clause 20 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
5. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 21: Treatment of stapled entities

### Summary

1. This clause sets out the treatment of two or more entities who are treated as stapled to each other and subsidiaries of a “deemed parent”.

### Details of the clause

2. Subsection 1 introduces the clause and sets out when it applies.
3. Subsections 2 to 3 describes how the clause will apply and its effect on the entities involved.

### Background note

4. This is clause 21 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
5. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 22: Accounting periods and meaning of “a group’s accounts”

### Summary

1. This clause sets out the time period over which a group will account for revenues from relevant business activities for the DST. This will usually be the period of account of the parent company with special rules for the first accounting period and for when the DST is first introduced.

### Details of the clause

2. Subsection 1 introduces the clause.
3. Subsection 2 describes when a group’s first accounting period for the DST will begin and ends.
4. Subsection 3 describes when any other accounting period for the group begins and ends.
5. Subsection 4 sets out when the first accounting period will begin and end for a group formed after 1 April 2020.
6. Subsection 5 defines the meaning of “accounting reference date”.
7. Subsection 6 confirms that references to a groups accounts if to the consolidated group accounts or the parents accounts.

### Background note

8. This is clause 22 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
9. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 23: Apportionment of revenues or expenses to accounting period

### Summary

1. This clause sets how revenues or expenditure are apportioned when a group's period of account does not coincide with an accounting period. For example, this may happen if a company or group change their accounting date.

### Details of the clause

2. Subsection 1 introduces the clause.
3. Subsections 2 to 3 sets out the steps taken in apportioning revenue and expenditure to the appropriate accounting periods for the DST.

### Background note

4. This is clause 23 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
5. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 24: Meaning of revenues arising, or expenses recognised, in a period

### Summary

1. This clause sets out what is meant for a group by revenues arising or expenses recognised in a period for the purposes of the DST legislation.

### Details of the clause

2. Subsection 1 introduces the section.
3. Subsection 2 explains that the revenues or expenses for any period of account for the group are produced in accordance with applicable accounting standard or in accordance with International Accounting Standards (IAS) for that period.
4. Subsection 3 sets out that if the group does not produce accounts, the revenues or expenses are recognised as if IAS accounts had been produced for that period.

### Background note

5. This is clause 24 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
6. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 25: Meaning of “the applicable accounting standards” etc

### Summary

1. This clause sets out the definition on various terms related to accounting standards for the purposes of the DST legislation.

### Details of the clause

2. Subsection 1 introduces the clause.
3. Subsection 2 sets out the definition of “the applicable accounting standards”.
4. Subsection 3 to 5 defines what is meant by “UK GAAP”, “US GAAP” and “IAS”.
5. Subsection 6 confirms that HMRC will publish any approvals relevant to subsection 2.

### Background note

6. This is clause 25 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
7. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 26: Anti-avoidance

### Summary

1. This clause sets out anti-avoidance provisions for the DST.

### Details of the clause

2. Subsection 1 introduces the clause.
3. Subsections 2 to 4 set out the adjustments that must be taken should tax avoidance arrangements be deemed to have taken place and what arrangements are deemed to be “relevant avoidance arrangements”.
4. Subsection 5 defines the meaning of “arrangements”, “tax” and “tax advantage” for the purposes of the legislation.

### Background note

5. This is clause 26 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
6. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 27 and Schedule 2: Notice requiring payment from other group members

### Summary

1. This clause sets out the process by which HMRC can give notice to group members when a DST liability relating to the group goes unpaid.

### Details of the clause and Schedule

2. Subsection 1 introduces the clause which and the point from which it applies.
3. Subsections 2 to 4 give details of how a designated HMRC offices may give a payment notice and what must be included in the notice.
4. Subsection 5 defines the meaning of "relevant date" for the purposes of the section.
5. Subsection 6 confirms that that notice may be given anywhere in the world.
6. Subsection 7 introduces Schedule 2.
7. Subsection 8 provides definitions for "designated officer", "DST liability", "filed", "filing date" and "relevant person".

### Schedule 2: DST payment notices

8. Section 1 introduces the Schedule and defines "payment notice", "relevant liability" and "relevant person".
9. Section 2 sets out how the recipient will be treated for the purposes of recovery of unpaid DST liability, penalty or interest.
10. Section 3 sets out the appeals process a recipient may use to appeal against a notice and the time frames for submitting an appeal.
11. Section 4 sets out the effect of making a payment in respect of a payment notice and the impact on any outstanding payments or notices.

### Background note

12. This is clause 27 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
13. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines

and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 28: Interest on overdue DST

### Summary

1. This clause sets out at which rate and when interest will be due on overdue DST payments.

### Details of the clause

2. Subsection 1 sets out at which rate interest will become due.
3. Subsection 2 sets out when the interest will be due and payable.
4. Subsection 3 sets out where the meaning of “the applicable rate” can be found in legislation.

### Background note

5. This is clause 28 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
6. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 29: Interest on overpaid DST etc

### Summary

1. This clause sets out at which rate and when interest will be due on overpaid DST payments.

### Details of the clause

2. Subsection 1 introduces the clause and that interest will be payable on payments received before the liability due date.
3. Subsections 2 to 3 set out the dates when interest will become due and payable.
4. Subsections 4 to 5 set out circumstances where interest may be recovered.
5. Subsection 6 provides definitions for “the applicable rate”, “the due date”, “error” and “HMRC determination”.

### Background note

6. This is clause 29 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
7. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 30 and Schedule 3: Minor and consequential amendments

### Summary

1. This clause introduces Schedule 3 which sets out provisions for minor consequential amendments which are a result of the introduction of the DST. These relate to interest rates, penalties and other tax administration processes.

### Details of the clause and Schedule

2. This clause introduces Schedule 3 which covers minor and consequential amendments of other legislation in relation to the DST. It covers amendments to Finance Acts 1989, 2007 and 2008.

## Schedule 3: Digital Services Tax: minor and consequential amendments

3. Section 1 sets out the amendments required to Finance Act 1989.
4. Section 2 sets out the amendments required to Finance Act 2007.
5. Section 3 sets out the amendments required to Finance Act 2008.

### Background note

6. This is clause 30 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
7. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 31: Review of DST

### Summary

1. This clause sets out that the Treasury must conduct a review of the digital services tax before the end of 2025.

### Details of the clause

2. Subsection 1 to 2 sets out the commitment to conduct a review of the DST by the end of 2025 and a copy of the report must be laid before Parliament.

### Background note

3. This is clause 31 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
4. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

## Clause 32: Interpretation of Part

### Summary

1. This clause sets out where the meaning of various terms used in the legislation can be found.

### Details of the clause

2. This clause lists various terms used in the legislation and where their meanings can be found.

### Background note

3. This is clause 32 of 32 in establishing the DST. If you have any questions about this change, or comments on the legislation, please contact Martin Wright on 03000 541897 (email: [dst.mailbox@hmrc.gov.uk](mailto:dst.mailbox@hmrc.gov.uk)).
4. The Digital Services Tax will apply from April 2020. Announced at Budget 2018 the tax will apply to groups providing social media platforms, internet search engines and online marketplaces. The Digital Services Tax is a new tax on the revenues of large digital businesses to ensure that the amount of tax paid in the UK is reflective of the value derived from UK users.

