

## Amendment 3 to Clause 36 and Schedule 7: Hybrid and other mismatches

### Summary

1. This amendment to Clause 36 and Schedule 7 follows engagement with stakeholders following the publication of Finance Bill. This amendment will ensure that existing legislation is applied correctly to one new section of legislation being introduced by the Bill, and therefore that the new section works as intended.

### Details of the amendment

2. Amendment 3 amends new subsection 259ZMC(5) TIOPA 2010, which was introduced by Paragraph 35 of Schedule 7, to ensure that both subsections (4) and (7) of section 1122 CTA 2010 are ignored for the purposes of establishing whether one person is connected to another.

### Background note

3. Clause 36 and schedule 7 of Finance Bill introduce several amendments to the Corporation Tax rules for hybrid and other mismatches. These rules have been in effect since 1 January 2017 and implement action 2 of the OECD's Base Erosion and Profit Shifting Project. The changes in Clause 36 and Schedule 7 are being made, following consultation, to ensure the rules operate proportionately and as intended and to alleviate instances of economic double taxation.
4. Following publication of Finance (No. 2) Bill and subsequent engagement with stakeholders, the Government tabled a number of largely technical amendments at the Committee of the Whole House to ensure the changes in the Bill had the intended effect and to remove some potential unintended consequences that were identified.
5. Following further engagement with stakeholders following the publication of Finance Bill, the government is tabling this further amendment, that mirrors one made at the Committee of the Whole House, to ensure existing legislation is applied correctly to a new section being introduced in the Bill.