

Amendment 19 to Schedule 16: Multinational top-up tax: transitional provision

Summary

1. This amendment is a consequential amendment to Schedule 16 and clarifies the application of the anti-avoidance provisions in relation to intra-group transfers.

Details of the amendment

2. This amendment inserts new subparagraphs 3A and 3B into paragraph 2 of Schedule 16.
3. The effect of this amendment is to define “the relevant time” in relation to certain intra-group transfers, and to provide for certain adjustments to the carrying value of assets and the deferred tax asset values in relation to such intra-group transfers.
4. Subparagraph 3A provides that for the purposes of subparagraph 3, the relevant time is the later of the date of transfer and the start of the first accounting period in which Pillar Two rules apply to the transferee, and a transitional safe harbour election does not apply to the transferee.
5. Subparagraph (a) of subparagraph 3B provides that where the relevant time is after the date of transfer, the carrying value of assets is to be adjusted for capitalised expenditure incurred after the date of transfer, and any amortisation and depreciation that would have been recognized by the transferor had the transfer not taken place.
6. Subparagraph (b) of subparagraph 3B further provides that the tax paid amount taken into account for the purposes of the deferred tax asset of the transferee should also be adjusted to reflect such capitalised expenditure, amortisation and depreciation.
7. This is a consequential amendment which is necessary as a result of other changes to the application of the anti-avoidance provisions in paragraph 2.

Background note

8. This consequential amendment amends paragraph 2 of Schedule 16 of the new multinational top-up tax regime in order to ensure that the transitional anti-avoidance provisions operate as intended.