

*Foreign branch exemption***1 Exemption to be compulsory rather than by election**

- (1) In Part 2 of CTA 2009 (charge to corporation tax: basic provisions), Chapter 3A (UK resident companies: profits of foreign permanent establishments) is amended as follows.
- (2) In section 18A (exemption for profits or losses of foreign permanent establishments) –
 - (a) for subsection (1) substitute –

“(1) In calculating the taxable total profits of a company for an accounting period, exemption adjustments are to be made at the appropriate stages.”;
 - (b) in subsection (2), omit “in relation to any relevant accounting period”;
 - (c) omit subsection (3).
- (3) In section 18B (chargeable gains etc), omit subsection (3).
- (4) In section 18C (capital allowances etc), omit subsection (2).
- (5) Omit section 18F (effect of election).
- (6) Omit sections 18J to 18O and the italic heading that precedes them (companies with total opening negative amount).
- (7) In section 18P (exclusions) –
 - (a) in subsection (1) –
 - (i) for “a relevant accounting period” substitute “an accounting period”;
 - (ii) for “that relevant accounting period” substitute “that accounting period”;
 - (b) in subsection (2) –
 - (i) for “a relevant accounting period” substitute “an accounting period”;
 - (ii) for “the relevant accounting period” substitute “that accounting period”.

2 “Permanent establishment” to be given international meaning

- (1) In Part 2 of CTA 2009 (charge to corporation tax: basic provisions), in Chapter 3A (UK resident companies: profits of foreign permanent establishments), after section 18R insert –

“18RA Meaning of “permanent establishment”

- (1) For the purposes of this Chapter, the question of whether a company carries on, or has carried on, business through a permanent establishment in a territory outside the United Kingdom is to be determined –

- (a) in the case of a full treaty territory, in accordance with the double taxation arrangements that have been made in relation to the territory, and
 - (b) in the case of any other territory, in accordance with the OECD model,rather than in accordance with Chapter 2 of Part 24 of CTA 2010 (which generally applies for the purposes of the Corporation Tax Acts for determining that question).”
- (2) In Part 24 of CTA 2010 (corporation tax definitions), in Chapter 2 (permanent establishments), in section 1140A (introduction), at the end insert—
 - “(6) This Chapter is subject to section 18RA of CTA 2009 (which gives “permanent establishment” its international meaning for the purposes of the exemption from corporation tax for profits of foreign permanent establishments).”

3 Consequential amendments

Schedule 1 contains amendments consequential on section 1.

4 Transitional provision

Schedule 2 makes transitional provision in connection with the coming into effect of section 1. In that Schedule—

- (a) Part 1 restricts the ability of a company to carry forward losses of an income nature, imposing that restriction by reference to losses that arose in the company’s foreign permanent establishments before section 1 took effect;
- (b) Part 2 makes equivalent provision in relation to carried-forward capital losses;
- (c) Part 3 makes other transitional provision, in particular in relation to capital allowances.

5 Counteraction of avoidance arrangements

- (1) A tax advantage that would (but for this section) arise from foreign-PE-related avoidance arrangements is to be counteracted by the making of such adjustments as are just and reasonable.
- (2) In subsection (1) “foreign-PE-related avoidance arrangements” means arrangements in respect of which conditions A, B and C are met.
- (3) Condition A (timing test) is that—
 - (a) the arrangements come into being on or after 13 July 2026, or
 - (b) the arrangements come into being on a contingent or preparatory basis before that date but are committed to, confirmed or formalised on or after that date.
- (4) Condition B (purpose test) is that the main purpose, or one of the main purposes, of the arrangements is—

- (a) to obtain, in a pre-commencement accounting period, a tax advantage—
 - (i) that could not be obtained if sections 1 to 4 and Schedules 1 and 2 had effect for that period, and
 - (ii) that involves securing that an amount of income, expenditure, profit or loss that would otherwise be recognised in a post-commencement accounting period is instead recognised in a pre-commencement accounting period, or
 - (b) to obtain, in a post-commencement accounting period, a tax advantage in connection with the operation of sections 1 to 4 and Schedules 1 and 2 or the legislation amended by any of those provisions.
- (5) Condition C (abuse test) is that it is reasonable to regard the arrangements as circumventing the intended commencement or operation of, or otherwise exploiting shortcomings in, those provisions or the legislation amended by them.
- (6) In determining whether Condition C is met, all the relevant circumstances are to be taken into account, including whether the arrangements include any steps that—
 - (a) are contrived or abnormal, or
 - (b) lack a genuine commercial purpose.
- (7) An adjustment required to be made under this section may be made by way of—
 - (a) an assessment,
 - (b) the modification of an assessment,
 - (c) the amendment or disallowance of a claim,or otherwise.
- (8) In this section—
 - “post-commencement accounting period” means an accounting period in relation to which sections 1 to 4 and Schedules 1 and 2 have effect;
 - “pre-commencement accounting period” means an accounting period in relation to which sections 1 to 4 and Schedules 1 and 2 do not have effect;
 - “tax advantage” has the meaning given by section 1139 of CTA 2010.

6 Commencement

- (1) Sections 1 to 4 and Schedules 1 and 2 have effect for accounting periods beginning on or after 1 January 2027.
- (2) Section 5 has effect for accounting periods ending on or after 13 July 2026.
- (3) Subsection (1) is subject to section 7 (which brings commencement forward in certain cases involving short accounting periods).

7 Commencement: avoidance involving short accounting periods

- (1) This section applies to a company if there is an accounting period of the company—

- (a) which is less than 12 months long, and
 - (b) the last day of which falls on or after 13 July 2026 and before 1 January 2027
- (a “relevant short accounting period”).
- (2) Sections 1 to 4 and Schedules 1 and 2 have effect in relation to the company on and after the relevant anniversary.
- (3) In this section “the relevant anniversary” means—
 - (a) where the first day of the earliest relevant short accounting period of the company is or is after 1 January 2026, the first anniversary of that day;
 - (b) otherwise, the second anniversary of that day.
- (4) As regards the accounting period of the company that begins before, and ends on or after, the relevant anniversary (“the straddle period”)—
 - (a) so much of the straddle period as falls before the relevant anniversary, and
 - (b) so much of the straddle period as falls on or after the relevant anniversary,are treated as separate accounting periods for the purposes of sections 1 to 5 and Schedules 1 and 2.
- (5) The amount of the company’s profits for the straddle period is to be attributed to those separate accounting periods on an apportionment made—
 - (a) on a time basis according to the respective lengths of the periods, or
 - (b) if that method produces a result that is unjust or unreasonable, on a just and reasonable basis.
- (6) This section does not apply to a company if its effect would be that the provisions mentioned in subsection (2) have effect in relation to the company later than they would do under the general rule in section 6(1).

SCHEDULE 1

FOREIGN BRANCH EXEMPTION: CONSEQUENTIAL AMENDMENTS

TCGA 1992

- 1 In TCGA 1992, in section 276A (no gain/no loss: foreign permanent establishment exemption), in subsection (1) –
 - (a) omit “in relation to which an election under section 18A of CTA 2009 (exemption for profits or losses of foreign permanent establishments) has effect”;
 - (b) for “that Act” substitute “CTA 2009”.

CAA 2001

- 2 CAA 2001 is amended in accordance with paragraphs 3 to 7.
- 3 In section 15 (qualifying activities), in subsection (2A), in the words before paragraph (a) omit “in relation to which an election under section 18A of CTA 2009 has effect”.
- 4 In section 61 (disposal events and disposal values), in the table after subsection (2), omit item 6A (disposal event to which section 62A applies).
- 5 Omit section 62A (cases in which disposal value is transition value).
- 6 (1) In section 431A (foreign permanent establishment exemption), in subsection (1) –
 - (a) omit paragraph (a) and the “and” after it;
 - (b) in paragraph (b), for “the company” substitute “a company”.
- (2) Omit section 431B.
- 7 (1) Section 431C (notional allowances) is amended as follows.
 - (2) In subsection (1), omit paragraph (a) and the “and” after it.
 - (3) In subsection (2), omit “relevant”.
 - (4) Omit paragraphs (3) to (5).

ITA 2007

- 8 In Part 15 of ITA 2007 (deduction of income tax at source), Chapter 9 (manufactured dividends) is amended in accordance with paragraphs 9 and 10.
- 9 (1) Section 918 (manufactured dividends on UK shares: Real Estate Investment Trusts) is amended as follows.
 - (2) In subsection (3A), omit paragraph (b) and the “and” before it.
 - (3) In subsection (4)(b), omit “and section 18A of CTA 2009 has effect in relation to the company for the accounting period in which it is paid”.
 - (4) In subsection (5A), omit paragraph (b) and the “and” before it.

- 10 In section 919 (manufactured interest on UK securities: payments by UK residents etc), in subsection (1A), omit paragraph (b) and the “and” before it.

CTA 2010

- 11 CTA 2010 is amended in accordance with paragraphs 12 and 13.
- 12 (1) In Part 8A (profits arising from exploitation of patents etc), Chapter 2A (relevant IP profits: cases mentioned in section 357A(6)) is amended as follows.
- (2) In section 357BLB (qualifying expenditure on relevant R&D undertaken in-house), in subsection (4) –
- (a) omit from the beginning to “to the relevant period”;
 - (b) for “during the period” substitute “during the relevant period”.
- (3) In section 357BLC (qualifying expenditure on relevant R&D sub-contracted to unconnected persons), in subsection (3) –
- (a) omit from the beginning to “to the relevant period”;
 - (b) for “during the period” substitute “during the relevant period”.
- 13 In Part 21B (group mismatch schemes), in section 938L (foreign companies and foreign permanent establishments), in subsection (1)(b), omit “an election under”.

TIOPA 2010

- 14 TIOPA 2010 is amended in accordance with paragraphs 15 to 17.
- 15 In Part 2 (double taxation relief), in Chapter 2 (relief by way of credit), in section 18 (entitlement to credit for foreign tax reduces UK tax by amount of the credit), in subsection (3A) –
- (a) omit “in relation to which an election under section 18A of CTA 2009 (exemption for profits or losses of overseas permanent establishments) has effect”;
 - (b) for “that section” substitute “section 18A of CTA 2009 (exemption for profits or losses of foreign permanent establishments)”.
- 16 (1) Part 9A (controlled foreign companies) is amended as follows.
- (2) In section 371DH (exclusion: trading profits (income condition)), in subsection (7) –
- (a) omit paragraph (a) and the “and” after it;
 - (b) in paragraph (b), for “that section” substitute “section 18A of CTA 2009 (exemption for profits or losses of foreign permanent establishments)”.
- (3) In section 371GA (captive insurance business: the basic rule), in subsection (4) –
- (a) omit paragraph (a) and the “and” after it;

- (b) in paragraph (b), for “that section” substitute “section 18A of CTA 2009 (exemption for profits or losses of foreign permanent establishments)”.
 - (4) In section 371IH (exclusions from definition of “qualifying loan relationship”), in subsection (2) –
 - (a) omit paragraph (a) and the “and” after it;
 - (b) in paragraph (b), for “that section” substitute “section 18A of CTA 2009 (exemption for profits or losses of foreign permanent establishments)”.
 - (5) In section 371SF (claims and elections), in subsection (2), omit paragraph (a).
- 17 (1) In Part 10 (corporate interest restriction), Chapter 8 (public infrastructure) is amended as follows.
- (2) In section 433 (meaning of “qualifying infrastructure company”), in subsection (11), omit paragraph (b) (but not the “and” after it).
 - (3) In section 434 (elections under section 433), in subsection (6), omit paragraph (a) and the “and” after it.

SCHEDULE 2

FOREIGN BRANCH EXEMPTION: TRANSITIONAL PROVISION

PART 1

RESTRICTION OF CARRIED-FORWARD LOSSES (INCOME)

Companies within scope

- 1 This Part of this Schedule applies to a company if –
- (a) the company carried on business, at any time during the lookback period, through a permanent establishment in a territory outside the United Kingdom,
 - (b) there is at least one accounting period of the company within the lookback period for which an election under section 18A of CTA 2009 did not have effect in relation to the company, and
 - (c) the company has carried-forward income losses in the first post-commencement accounting period.

Restriction on carried-forward income losses

- 2 (1) So far as the company’s carried-forward income losses are restricted, they may not be set off against or deducted from any profits of the company in a post-commencement accounting period.

- (2) For the purposes of this Part of this Schedule, carried-forward income losses of a company are “restricted” if and so far as –
 - (a) there is a restricted amount in relation to the company (see paragraph 3), and
 - (b) the restricted amount is matched with the losses (see paragraph 4).
- (3) Sub-paragraph (1) –
 - (a) is subject to paragraph 5 (under which restricted losses may be set off against the company’s profits in limited circumstances), but
 - (b) otherwise, so far as there is any conflict, overrides the rules about carry-forward of losses that apply for the purposes of corporation tax.

Restricted amount

- 3 (1) Take the following steps to determine whether there is a “restricted amount” in relation to the company for the purposes of this Part of this Schedule, and if so what the amount is.

Step 1

Determine the total amount of the company’s carried-forward income losses in the first post-commencement accounting period (“the aggregate carried-forward income loss”).

Step 2

For the most recent accounting period of the company in the lookback period, determine –

- (a) the foreign-PE amount, and
- (b) the head-office amount.

Step 3

If one of the amounts determined at step 2 is positive and the other negative, set the positive amount off against the negative amount to the extent possible (so that whichever number is closer to zero is increased or decreased, as the case may be, to zero).

Once this step is complete, whether or not any modifications have been made pursuant to it, the amounts mentioned in step 2(a) and (b) become (respectively) –

- (a) the net foreign-PE amount, and
- (b) the net head-office amount.

Step 4

If either the net head-office amount or the net foreign-PE amount is a negative number, allocate the aggregate carried-forward income loss to that amount (so that, for example, if one of those amounts is -£100, £100 of the aggregate carried-forward income loss is allocated to it). If both amounts are negative, allocate it to the net foreign-PE amount first.

Step 5

If any of the aggregate carried-forward income loss remains to be allocated, repeat steps 2 to 4 by reference to the next most recent accounting period of the company, and so on until either –

- (a) the whole of the aggregate carried-forward income loss has been allocated, or
- (b) those steps have been carried out by reference to every accounting period of the company in the lookback period.

Step 6

Determine the total amount of the aggregate carried-forward income loss that has been allocated to a net foreign-PE amount for any accounting period of the company.

Step 7

Subtract from the amount determined at Step 6 the total amount of any reductions made under section 18K(1), 18M(1) or 18N(1) of CTA 2009 (matching of total opening negative amount) in respect of an accounting period of the company in the lookback period.

The result is the restricted amount.

- (2) In sub-paragraph (1) –

“the foreign PE amount” means –

- (a) in relation to an accounting period of the company for which an election under section 18A had effect, nil;
- (b) in relation to any other accounting period of the company, the income-only foreign permanent establishments amount;

“the head-office amount”, in relation to an accounting period of the company, means the amount equal to –

- (a) the income-only head-office profits for that period, less
- (b) the income-only head-office losses for that period.

- (3) In sub-paragraph (2) –

“the head-office losses”, in relation to an accounting period of a company, means any losses of the company that would not fall to be counted towards the relevant losses amount in relation to any relevant foreign territory for the accounting period if that amount were calculated in accordance with section 18A(7) of CTA 2009;

“the head-office profits”, in relation to an accounting period of a company, means any profits of the company that would not fall to be counted towards the relevant profits amount in relation to any relevant foreign territory for the accounting period if that amount were calculated in accordance with section 18A(7) of CTA 2009;

“income-only” means determined without reference to gains or losses which are chargeable gains or allowable losses for corporation tax purposes.

- (4) Each of the following has the same meaning in this paragraph as it has in Chapter 3A of Part 2 of CTA 2009 (foreign branch exemption) –

- “the foreign permanent establishments amount” (see section 18A(4) of that Act);
- “relevant foreign territory” (see section 18A(5) of that Act);
- “relevant losses amount” (see section 18A(7) of that Act);
- “relevant profits amount” (see section 18A(6) of that Act).

Matching of restricted amount with carried-forward loss

- 4 (1) The restricted amount is matched with the company’s carried-forward income losses as follows.
 - (2) If the company’s carried-forward income losses fall within only one of paragraphs (a) to (d) of the definition of “carried-forward income loss” in paragraph 6, the whole restricted amount is matched with those losses.
 - (3) If the company’s carried-forward income losses fall within more than one of those paragraphs, the restricted amount is matched with the losses in the order in which they are mentioned in that definition, until the whole of the restricted amount has been matched.

Restricted losses may be set off against profits of foreign permanent establishments

- 5 (1) So far as carried-forward income losses of a company are restricted, they may (despite the rule in paragraph 2(1)) be set off or deducted from the company’s relevant profits in a post-commencement accounting period to the extent that the company’s relevant profits reflect—
 - (a) profits that are, as a result of section 18A(2A) of CTA 2009 (profits of UK land or property business etc), not left out of account as mentioned in section 18A(2) of that Act, or
 - (b) diverted profits within the meaning given by section 18H(1) of that Act.
- (2) In sub-paragraph (1) a company’s “relevant profits” are—
 - (a) in the case of a carried-forward income loss within paragraphs (a) to (c) of the definition of “carried-forward income loss” in paragraph 6, its total profits, and
 - (b) in the case of a carried-forward income loss within paragraph (d) of that definition, the profits of the trade to which the loss relates.

Interpretation

- 6 In this Part of this Schedule—
 - “carried-forward income loss”, in relation to an accounting period of a company, means—
 - (a) an amount, representing the whole or part of a loss of the company in a trade, that has been carried forward to the period under section 45 of CTA 2010 (trade losses: general),
 - (b) an amount, representing the whole or part of a non-trading deficit from the company’s loan relationships, that has been

carried forward to the period under section 463G of CTA 2009 (loan relationship deficits),

- (c) an amount, representing the whole or part of a loss of the company on intangible fixed assets, that has been carried forward to the period under section 753 of CTA 2009 (losses on intangible fixed assets), or
- (d) an amount, representing the whole or part of a loss of the company in a trade, that has been carried forward to the period under section 45B of CTA 2010 (trade losses: cases not qualifying for section 45 relief);

“the lookback period”, in relation to a company, means the period consisting of all the accounting periods of the company that precede the first post-commencement accounting period and that end less than 6 years before the start of that period;

“post-commencement accounting period”, in relation to a company, means an accounting period of the company for which sections 1 to 4 and Schedules 1 and 2 have effect.

PART 2

RESTRICTION OF CARRIED-FORWARD LOSSES (CAPITAL)

Companies within scope

- 7 This Part of this Schedule applies to a company if –
- (a) the company carried on business, at any time during the lookback period, through a permanent establishment in a territory outside the United Kingdom,
 - (b) there is at least one accounting period of the company within the lookback period for which an election under section 18A of CTA 2009 did not have effect in relation to the company, and
 - (c) the company has carried-forward capital losses in the first post-commencement accounting period.

Restriction on carried-forward capital losses

- 8 (1) So far as the company’s carried-forward capital losses are restricted, they may not be deducted under section 2A(1) of TCGA 1992 in a post-commencement accounting period.
- (2) Sub-paragraph (1) –
- (a) is subject to paragraph 5 (under which restricted losses may be carried forward in limited circumstances against profits of foreign permanent establishments), but
 - (b) otherwise, so far as there is any conflict, overrides the rules about carry-forward of losses that apply for the purposes of corporation tax.

Restricted amount

- 9 (1) Take the following steps to determine the amount (if any) of a company’s carried-forward capital losses that is “restricted” for the purposes of this Part of this Schedule.

Step 1

Determine the total amount of the company’s carried-forward capital losses in the first post-commencement accounting period (“the aggregate carried-forward capital loss”).

Step 2

For the most recent accounting period of the company in the lookback period, determine –

- (a) the head-office amount, and
- (b) the foreign-PE amount.

Step 3

If one of the amounts determined at step 2 is positive and the other negative, set the positive amount off against the negative amount to the extent possible (so that whichever number is closer to zero is increased or decreased, as the case may be, to zero).

Once this step is complete, whether or not any modifications have been made pursuant to it, the amounts mentioned in step 2(a) and (b) become (respectively) –

- (a) the net head-office amount, and
- (b) the net foreign-PE amount.

Step 4

If either the net head-office amount or the net foreign-PE amount is negative, allocate the aggregate carried-forward capital loss to that amount (so that, for example, if one of those amounts is -100, £100 of the aggregate carried-forward capital loss is allocated to it). If both amounts are negative, allocate it to the net foreign-PE amount first.

Step 5

If any of the aggregate carried-forward capital loss remains to be allocated, repeat steps 2 to 4 by reference to the next most recent accounting period of the company, and so on until either –

- (a) the whole of the aggregate carried-forward capital loss has been allocated, or
- (b) those steps have been carried out by reference to every accounting period of the company in the lookback period.

The restricted amount is the total amount of the aggregate carried-forward capital loss that has been allocated to a net foreign-PE amount for any accounting period of the company.

- (2) In sub-paragraph (1) –
 “the foreign PE amount” means –

- (a) in relation to an accounting period of the company for which an election under section 18A had effect, nil;
 - (b) in relation to any other accounting period of the company, the capital-only foreign permanent establishments amount;
- “the head-office amount”, in relation to an accounting period of the company, means the amount equal to –
 - (a) the capital-only head-office profits for that period, less
 - (b) the capital-only head-office losses for that period.
- (3) In sub-paragraph (2) –
 - “capital-only” means determined with reference only to gains or losses which are chargeable gains or allowable losses for corporation tax purposes;
 - “the head-office losses”, in relation to an accounting period of a company, means any losses of the company that would not fall to be counted towards the relevant losses amount in relation to any relevant foreign territory for the accounting period if that amount were calculated in accordance with section 18A(7) of CTA 2009;
 - “the head-office profits”, in relation to an accounting period of a company, means any profits of the company that would not fall to be counted towards the relevant profits amount in relation to any relevant foreign territory for the accounting period if that amount were calculated in accordance with section 18A(7) of CTA 2009.
- (4) Each of the following has the same meaning in this paragraph as it has in Chapter 3A of Part 2 of CTA 2009 (foreign branch exemption) –
 - “the foreign permanent establishments amount” (see section 18A(4) of that Act);
 - “relevant foreign territory” (see section 18A(5) of that Act);
 - “relevant losses amount” (see section 18A(7) of that Act);
 - “relevant profits amount” (see section 18A(6) of that Act).

Restricted losses may be set off against profits of foreign permanent establishments

- 10 So far as carried-forward capital losses of a company are restricted, they may (despite the rule in paragraph 8(1)) be deducted under section 2A(1) of TCGA 1992 in a post-commencement accounting period to the extent that the chargeable gains accruing to the company in the period reflect profits that are, as a result of section 18A(2B) of CTA 2009 (interests in UK land), not left out of account as mentioned in section 18A(2) of that Act.

Interpretation

- 11 (1) In this Part of this Schedule –
 - “allowable loss” has the same meaning as it has for the purposes of corporation tax on gains (see in particular section 288(1) of TCGA 1992);

“carried-forward capital loss”, in relation to an accounting period of a company, means an allowable loss that accrued to the company in an earlier period but has not previously been deducted under section 2A(1) of TCGA 1992;

“the lookback period”, in relation to a company, means the period consisting of all the accounting periods of the company that precede the first post-commencement accounting period and that end less than 6 years before the start of that period;

“post-commencement accounting period”, in relation to a company, means an accounting period of the company for which sections 1 to 4 and Schedules 1 and 2 have effect.

PART 3

MISCELLANEOUS

Capital allowances: no balancing allowance or charge where section 1 brings about a disposal event

- 12 (1) This paragraph applies where, as a result of the amendments made by section 1 and Schedule 1 (foreign branch exemption to be compulsory rather than by election), the operation of section 15(2A) of CAA 2001 (business carried on by foreign PE is not a qualifying activity) brings about a disposal event for the purposes of Part 2 of CAA 2001 consisting of plant or machinery beginning to be used for purposes other than those of a qualifying activity.
- (2) For the purposes of that Part of that Act the disposal value in relation to the disposal event is such amount as gives rise to neither a balancing allowance nor a balancing charge.
- (3) Sub-paragraph (2) does not apply if—
 - (a) the qualifying expenditure in respect of the plant or machinery, or of the group of assets of which it forms part at any time during the lookback period, exceeds £5 million, and
 - (b) the company has used the plant or machinery otherwise than for the purposes of a permanent establishment in a territory outside the United Kingdom at any time during the lookback period.
- (4) For the purposes of sub-paragraph (3)(a) plant or machinery used together constitutes a “group of assets”.
- (5) In this paragraph—

“the lookback period”, in relation to a company, means the period consisting of all the accounting periods of the company that precede the first post-commencement accounting period and that end less than 6 years before the start of that period;

“post-commencement accounting period”, in relation to a company, means an accounting period of the company for which sections 1 to 4 and Schedules 1 and 2 have effect.

- (6) This paragraph is to be construed as one with CAA 2001.
- 13 (1) This paragraph applies if, at the time when sections 1 to 4 and Schedules 1 and 2 take effect in relation to a company, the company is, by reason of sections 431A and 421(1)(b)(ii) and (2) of CAA 2001 (mineral extraction allowances: disposal events and foreign permanent establishments), required to bring into account the disposal value of any asset provided for the purposes of a foreign permanent establishment through which business is or has been carried on by the company.
- (2) For the purposes of subsections (1) and (2) of section 431C of CAA 2001 (notional allowances), the company is treated as having incurred at that time, for the purposes of the trade mentioned in section 431A(2), qualifying expenditure of an amount equal to that disposal value.

Gains in foreign PE still taken into account where they previously attracted relief

- 14 (1) The references in section 18A(6) of CTA 2009 to profits which would be taken in the case of a company to be attributable to the permanent establishment of the company in a territory (including as extended by section 18B(2) of that Act) do not include any gains which would be taken to be so attributable for the purposes of ascertaining credit to be allowed in respect of tax payable under the law of the territory before the first relevant accounting period; and the references to losses in section 18A(7) of that Act are to be construed accordingly.
- (2) In sub-paragraph (1) “the first relevant accounting period”, in relation to a company, means –
- (a) if an election under section 18A of CTA 2009 previously had effect in relation to the company, the first accounting period of the company for which it had effect;
 - (b) otherwise, the first accounting period for which sections 1 to 4 and Schedules 1 and 2 have effect in relation to the company.