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SCHEDULES

SCHEDULE 12

PILLAR TWO

PART 3

DOMESTIC TOP-UP TAX

Securitisation entities

42 (1) In section 267 (DTT excluded entities)—

(a) after subsection (3) insert—

“(3A) A securitisation company that is not a member of a group for the purposes of domestic top-up tax is a DTT excluded entity (and see section 267A).”

(b) in subsection (4)—

(i) the words from ““qualifying” to the end become the first definition, and

(ii) after that definition insert—

““securitisation company” has the meaning it has in the Taxation of Securitisation Companies Regulations 2006 (see regulation 4).”

(2) After section 267 insert—

“267A Securitisation companies in a group treated as not consolidated

(1) Subsection (2) applies to a securitisation company that is a member of a group.

(2) The company is only to be regarded as a member of the group for the purposes of applying Condition C in section 266 in relation to other members of the group (revenue threshold for group).

(3) Otherwise, the company is to be treated as not being a member of any group for the purposes of domestic top-up tax.”

(3) After section 272 insert—

“272A Treatment of covered bond vehicles

(1) This section applies where—

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- (a) a covered bond vehicle that is a member of a group would, ignoring this section, have a top-up amount or an additional top-up amount for an accounting period, and
 - (b) at least one of the other members of the group in that period—
 - (i) is located in the United Kingdom, and
 - (ii) is not a covered bond vehicle.
- (2) For domestic purposes, section 193 (calculation of top-up amounts) has effect for the purpose of determining the top-up amounts (and additional top-up amounts) of—
- (a) the covered bond vehicle, and
 - (b) the other members of the group that are located in the United Kingdom,
- as if the adjusted profits of the covered bond vehicle were nil.
- (3) But subsection (4) applies if none of the members of the group that are located in the United Kingdom, and are not covered bond vehicles, have made a profit for that period (and accordingly will not, ignoring that subsection, have top-up amounts).
- (4) Each of those members has a top-up amount equal to the amount given by dividing—
- (a) the sum of the top-up amounts and additional top-up amounts that, ignoring subsection (2), each covered bond vehicle located in the United Kingdom would otherwise have, by
 - (b) the number of those members.
- (5) For the purposes of this section “covered bond vehicle” has the meaning given by paragraph 53(7) of Schedule 19 to FA 2011.”

Investment entities

- 43 (1) In section 267—
- (a) in subsection (2), after “subsection (1)” insert “or (3B)(b)”, and
 - (b) after subsection (3A) (as inserted by [paragraph 42](#)) insert—
 - “(3B) An investment entity is a DTT excluded entity if—
 - (a) it is not a member of a group, or
 - (b) it is a member of group that is comprised only of members located in the United Kingdom.
 - (3C) An investment entity that is a member of a group that is not comprised only of members located in the United Kingdom—
 - (a) is not to be regarded as a qualifying entity, but
 - (b) top-up amounts of that entity are to be determined under sections 220 to 224 (see also section 272(8)(e) which has the effect of attributing those amounts to standard members of the group that are qualifying entities and are located in the same territory as the investment entity).
 - (3D) An investment entity that falls within subsection (3C) is not to be regarded as a member of any group for any purpose other than for the purposes of—

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- (a) determining the top-up amounts of that entity under those sections,
 - (b) applying Condition C in section 266 in relation to other members of the group (revenue threshold for group), and
 - (c) subsections (8)(e) (9), (10) and (11) of section 272.”
- (2) In consequence of the amendments made by sub-paragraph (1), in section 266(1) (qualifying entities) omit “or an investment entity”.
- (3) In section 272 (determining top-up amounts of entity that is a member of a group)—
 - (a) in subsection (8), in paragraph (e)—
 - (i) after “effect” insert “in relation to a qualifying entity that is a standard member of a group” and
 - (ii) after “of” insert “qualifying”, and
 - (b) after that subsection insert—
 - “(9) An investment entity is a qualifying investment entity in relation to a qualifying entity if it is
 - (a) a member of the same group as the qualifying entity, and
 - (b) located in United Kingdom.
 - (10) Subsection (11) applies to qualifying entities that are standard members of a group for an accounting period where—
 - (a) the total top-up amount referred to in section 193 for that period is greater than nil as a result of the modification of that section set out in subsection (8)(e), and
 - (b) none of those members have made a profit for that period (and accordingly will not, ignoring subsection (11), have top-up amounts).
 - (11) Where this subsection applies, each of those members has a top-up amount (for the purposes of domestic top-up tax) equal to the total top-up amount divided by the number of qualifying entities that are standard members of the group.”

Treatment of qualifying refundable tax credits

- 44 (1) In section 272(8), after paragraph (d) insert—
- “(da) in section 182(2)(e), after “credits”, in the first place it occurs, there were inserted “other than qualifying refundable tax credits”;
- (2) In section 273(3) (determining top-up amounts of entity that is not a member of a group), after paragraph (b) insert—
- “(ba) in section 182(2)(e), after “credits”, in the first place it occurs, there were inserted “other than qualifying refundable tax credits”;

Effect of becoming subject to Pillar Two rules

- 45 (1) After section 273 insert—

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“273A References to Pillar Two rules

- (1) The provisions mentioned in subsection (2) apply to a qualifying entity, for domestic or domestic entity purposes, as if the references to the first accounting period for which the Pillar Two rules apply were to the first accounting period for which the entity is a qualifying entity.
- (2) Those provisions are—
 - (a) section 185;
 - (b) section 187;
 - (d) sub-paragraph (4) of paragraph 2 of Schedule 16 (but see also section 276(c)(iii) which omits that paragraph in the case of a qualifying entity that is not a member of a group).

273B Effect of becoming subject to Pillar Two rules

- (1) This section applies where the Pillar Two rules did not apply to a qualifying entity for one or more accounting periods (each a “pre-Pillar Two period”).
- (2) Where—
 - (a) the entity has a recaptured deferred tax liability arising as a result of section 184 (recaptured deferred tax liabilities),
 - (b) the initial period, in relation to that liability, is a pre-Pillar Two period, and
 - (c) the first accounting period in which the Pillar Two rules apply to the entity is earlier than the sixth accounting period after the initial period,
 section 184(2) (recalculation in initial period taking account of recaptured deferred tax liability) does not apply in relation to that recaptured deferred tax liability.
- (3) Where an election under section 187 (election for losses to be treated as special loss deferred tax assets) applied to the entity in a pre-Pillar Two period—
 - (a) the election ceases to have effect for the first accounting period in which the Pillar Two rules apply, and
 - (b) subsection (2)(b) of section 187 does not apply to prevent the making of an election under section 187 that applies to the entity and that has effect for that period, but
 - (c) no remaining amount of special loss deferred tax assets that arose in a pre-Pillar Two period may be used in that first accounting period or any subsequent accounting period.
- (4) Subsection (5) or (6) (as the case may be) applies where—
 - (a) a deferred tax asset arises to the entity in a pre-Pillar Two period,
 - (b) section 185(7)—
 - (i) applies to that asset for the purposes of multinational top-up tax, or
 - (ii) would, ignoring subsection (5) below, apply to that asset for those purposes, and

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- (c) the asset is reflected in a collective additional amount for the purposes of domestic top-up tax.
- (5) Where—
- (a) an election has been made under section 205 (election to carry forward) in relation to the collective additional amount,
 - (b) the subtraction required by subsection (2)(a) of that section has not occurred in a pre-Pillar Two period,
- the amount to be subtracted as a result of that subsection is to be reduced by so much of that amount as reflects the asset.
- (6) Otherwise, section 185(7) does not apply to the asset for the purposes of multinational top-up tax to the extent it was reflected in a collective additional amount for the purposes domestic top-up tax.”
- (2) In section 276 (application of transitional provision)—
- (a) after paragraph (a) insert—
 - “(aa) where a qualifying member is a member of a group, for paragraph 3(2)(c) there were substituted—
 - “(c) the election has been made in respect of the territory for each preceding accounting period that commenced on or after 31 December 2023—
 - (i) in which the Pillar Two rules would, ignoring any transitional safe harbour election, have applied to any member of the group in the territory, and
 - (ii) in which any member of the group is a qualifying entity for the purposes of domestic top-up tax,””, and
 - (b) in paragraph (c), after sub-paragraph (iii) insert—
 - “(iiiia) for paragraph 3(2)(c) there were substituted—
 - “(c) the election has been made in respect of the territory for each preceding accounting period that commenced on or after 31 December 2023 in which the member was a qualifying entity for the purposes of domestic top-up tax,””, and

Dividends from protected cell companies

46 After section 273B (as inserted by [paragraph 45](#)) insert—

“273C Dividends from protected cell companies

- (1) This section applies to a dividend or other distribution made by a protected cell company that is received or accrued by—
 - (a) a qualifying entity that is not a member of a group, or

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- (b) a member of a group that has no members located outside of the United Kingdom.
- (2) A dividend or other distribution to which this section applies is to be treated as an excluded dividend (see section 141) for domestic purposes and domestic entity purposes.”

Consistency with Pillar Two rules

- 47 (1) In section 262(1) (power to amend to ensure consistency with Pillar Two)—
- (a) in paragraph (a), for “or of Schedule 14 to Schedule 16” substitute “, Part 4 or any of Schedules 14 to 16A and 18”, and
 - (b) in paragraph (b), for “or Schedule 14 to Schedule 17” substitute “, Part 4 or any of Schedules 14 to 18”.
- (2) In consequence of the amendments made by sub-paragraph (1), omit section 274 (application of section 262).

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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\(23\)\(b\)](#)