HMRC - OT21125 - Cross-Ring Fence Transactions Within A Company

TIOPA10\S205

TIOPA10\S205 (formerly ICTA88\Sch28AA\para11(3)) extends the application of the transfer pricing rules to cross-ring fence transactions within a single company. The ring fence and non-ring fence activities of a company are treated for the purposes of TIOPA10 Part4 as if they were separate businesses carried on by separate companies under common control.

Transfer pricing adjustments to cross ring fence transactions are subject to the ‘one way street’ principle. They can only be made where the substitution of an arm’s length price would increase ring fence profits.

For example, if a group’s head office services are charged out to its ring fence business at cost then TIOPA10 Part 4 cannot be invoked by the company to substitute a higher arm’s length price that would reduce its ring fence profits for tax purposes.

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