Corporation Tax Act 2010

2010 CHAPTER 4

PART 8

OIL ACTIVITIES

CHAPTER 4

CALCULATION OF PROFITS

Oil valuation

280 Disposal to be valued by reference to section 2(5A) of OTA 1975

(1) This section applies if each of conditions A to G is met.

(2) Condition A is that oil is won from an oil field in the United Kingdom.

(3) Condition B is that there is a disposal of the oil by a company.

(4) Condition C is that the disposal is a disposal of the oil by the company crude in a sale at arm's length (as defined in paragraph 1 of Schedule 3 to OTA 1975).

(5) Condition D is that the circumstances are such that the price received or receivable—

(a) falls to be taken into account under section 2(5)(a) of that Act in calculating for petroleum revenue tax purposes the assessable profit or allowable loss accruing to the company in a chargeable period from the oil field, or

(b) would fall to be so taken into account, had the oil field been a taxable field (as defined in section 185 of FA 1993).

(6) Condition E is that the terms of the contract are such as are described in the opening words of section 2(5A) of OTA 1975 (transportation etc).

(7) Condition F is that, but for subsection (9), the company is not entitled to a transportation allowance in respect of the oil in calculating ring fence profits.

(8) Condition G is that the company does not claim a transportation allowance in respect of the oil in calculating for corporation tax purposes any profits that are not ring fence profits.

(9) Section 2(5A) of OTA 1975 is to apply in determining the amount which the company is to bring into account for the purposes of the charge to corporation tax on income in respect of the disposal as it applies (or would apply) for petroleum revenue tax purposes.

(10) In this section "transportation allowance", in relation to any oil, means—

(a) a deduction in respect of the expense of transporting the oil as mentioned in the opening words of section 2(5A) of OTA 1975,

(b) a deduction in respect of any costs of or incidental to the transportation of the oil as so mentioned, or

(c) any such reduction in the price to be regarded as received or receivable for the oil as would result from the application of section 2(5A) of OTA 1975, if that provision applied for corporation tax purposes.

281 Valuation where market value taken into account under section 2 of OTA 1975

(1) This section applies if a person disposes of oil in circumstances such that the market value of the oil—

(a) falls to be taken into account under section 2 of OTA 1975, otherwise than by virtue of paragraph 6 of Schedule 3 to that Act, in calculating for petroleum revenue tax purposes the assessable profit or allowable loss accruing to that person in a chargeable period from an oil field, or

(b) would so fall but for section 10 of that Act.

(2) For the purposes of the charge to corporation tax on income, the disposal of the oil, and its acquisition by the person to whom it was disposed of, are to be treated as having been for a consideration equal to the market value of the oil—

(a) as so taken into account under section 2 of that Act, or

(b) as would have been so taken into account under that section but for section 10 of that Act.

282 Valuation where disposal not sale at arm's length

(1) This section applies if conditions A, B and C are met.

(2) Condition A is that a person disposes of oil acquired by the person—

(a) in the course of oil extraction activities carried on by the person, or

(b) as a result of oil rights held by the person.

(3) Condition B is that the disposal is not a sale at arm's length (as defined in paragraph 1 of Schedule 3 to OTA 1975).

(4) Condition C is that section 281 does not apply in relation to the disposal.

(5) For the purposes of the charge to corporation tax on income, the disposal of the oil, and its acquisition by the person to whom it was disposed of, are to be treated as having been for a consideration equal to the market value of the oil.

(6) Paragraphs 2 and 3A of Schedule 3 to OTA 1975 (definition of market value of oil including light gases) apply for the purposes of this section as they apply for the purposes of Part 1 of that Act, but with the following modifications.

(7) Those modifications are that—

(a) any reference in paragraph 2 to the notional delivery day for the actual oil is to be read as a reference to the day on which the oil is disposed of as mentioned in this section, and

(b) paragraph 2(4) is to be treated as omitted.

283 Valuation where excess of nominated proceeds

(1) This section applies if an excess of nominated proceeds for a chargeable period—

(a) is taken into account in calculating a company's profits under section 2(5)(e) of OTA 1975, or

(b) would have been so taken into account if the company were chargeable to tax under OTA 1975 in respect of an oil field.

(2) For the purposes of the charge to corporation tax on income, the amount of the excess is to be added to the consideration which the company is treated as having received in respect of oil disposed of by it in the period.

(3) For corporation tax purposes, that amount is to be available to the company as a deduction in calculating the profits of any trade which (whether because of section 279 or otherwise) does not consist of activities falling within the definition of "oil-related activities" in section 274.

284 Valuation where relevant appropriation but no disposal

(1) This section applies if conditions A and B are met.

(2) Condition A is that a company makes a relevant appropriation of oil without disposing of it.

(3) Condition B is that the company does so in circumstances such that the market value of the oil—

(a) falls to be taken into account under section 2 of OTA 1975 in calculating for petroleum revenue tax purposes the assessable profit or allowable loss accruing to it in a chargeable period from an oil field, or

(b) would so fall but for section 10 of that Act.

(4) For the purposes of the charge to corporation tax on income, the company is to be treated as having, at the time of the appropriation—

(a) sold the oil in the course of the separate trade consisting of activities falling within the definition of "oil-related activities" in section 274, and

(b) purchased it in the course of the separate trade consisting of activities not so falling.

(5) For those purposes, that sale and purchase is to be treated as having been at a price equal to the market value of the oil—

(a) as so taken into account under section 2 of OTA 1975, or

(b) as would have been so taken into account under that section but for section 10 of that Act.

(6) In this section "relevant appropriation" has the meaning given by section 12(1) of OTA 1975.

285 Valuation where appropriation to refining etc

(1) This section applies if conditions A, B and C are met.

(2) Condition A is that a company appropriates oil acquired by it—
(a) in the course of oil extraction activities carried on by it, or
(b) as a result of oil rights held by it.

(3) Condition B is that the oil is appropriated to refining or to any use except the production purposes of an oil field (as defined in section 12(1) of OTA 1975).

(4) Condition C is that section 284 does not apply in relation to the appropriation.

(5) For the purposes of the charge to corporation tax on income—
(a) the company is to be treated as having, at the time of the appropriation, sold and purchased the oil as mentioned in section 284(4)(a) and (b), and
(b) that sale and purchase is to be treated as having been at a price equal to the market value of the oil.

(6) Paragraphs 2 and 3A of Schedule 3 to OTA 1975 (definition of market value of oil including light gases) apply for the purposes of this section as they apply for the purposes of Part 1 of that Act, but with the following modifications.

(7) Those modifications are that—
(a) any reference in paragraph 2 to the notional delivery day for the actual oil is to be read as a reference to the day on which the oil is appropriated as mentioned in this section,
(b) any reference in paragraphs 2 and 2A to oil being relevantly appropriated is to be read as a reference to its being appropriated as mentioned in this section, and
(c) paragraph 2(4) is to be treated as omitted.

[F1 Hire of relevant assets

Textual Amendments

F1 S. 285A and cross-heading inserted (retrospective to 1.4.2014) by Finance Act 2014 (c. 26), **Sch. 16 paras. 3**, 6

285A Restriction on hire etc of relevant assets to be brought into account

(1) This section applies if—
(a) oil contractor activities are, or are to be, carried out, and
(b) a company that carries on a ring fence trade makes, or is to make, one or more payments under a lease of a relevant asset, or part of a relevant asset, which

is, or is to be, provided, operated or used in the relevant offshore service in question.

(2) The total amount that may be brought into account in respect of the payments for the purposes of calculating the company's ring fence profits in an accounting period is limited to the hire cap.

(3) The "hire cap" is an amount equal to the relevant percentage of TC for the accounting period, subject to subsection (4).

(4) If payments in relation to which subsection (2) or section 356N(2) (restriction on hire for oil contractors under Part 8ZA) applies are also made, or to be made, by one or more other companies in respect of the relevant asset or part, the "hire cap" is to be such proportion of the amount mentioned in subsection (3) as is just and reasonable, having regard (in particular) to the amounts of the payments made, or to be made, by each company.

(5) The "relevant percentage" and TC are to be determined in accordance with section 356N(5) to (16).

(6) To the extent that, by virtue of this section, payments within subsection (1)(b) cannot be brought into account for the purposes of calculating the company's ring fence profits in an accounting period, the payments may be—

(a) allowed as a deduction from the company's total profits for the accounting period, or

(b) treated as a surrenderable amount of the company for the accounting period for the purposes of Part 5 (group relief) (see section 99(7)) as if they were a trading loss,

but this is subject to subsection (7).

(7) No deduction may be made by virtue of subsection (6) from total profits so far as they are ring fence profits or contractor's ring fence profits.

(8) If the company or an associated person enters into arrangements the main purpose or one of the main purposes of which is to secure that subsection (2) does not apply in relation to one or more payments to any extent, that subsection applies in relation to the payments to the extent that it would not otherwise do so.

(9) In subsection (8) "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

(10) In this section—

"associated person" has the meaning given by section 356LB;

"contractor's ring fence profits" has the meaning given by section 356LD;

"oil contractor activities" and "relevant offshore service" have the meaning given by section 356L;

"relevant asset" has the meaning given by section 356LA;

"lease" has the meaning given by section 868.**]**

Loan relationships

286 Restriction on debits to be brought into account

(1) Debits may not be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in respect of a company's loan relationships in any way that results in a reduction of what would otherwise be the company's ring fence profits, but this is subject to subsections (2) to (4).

(2) Subsection (1) does not apply so far as a loan relationship is in respect of money borrowed by the company which has been—

(a) used to meet expenditure incurred by the company in carrying on oil extraction activities or in acquiring oil rights otherwise than from a connected person, or

(b) appropriated to meeting expenditure to be so incurred by the company.

(3) Subsection (1) does not apply, in the case of debits falling to be brought into account as a result of section 329 of CTA 2009 in respect of a loan relationship that has not been entered into, so far as the relationship would have been one entered into for the purpose of borrowing money to be used or appropriated as mentioned in subsection (2).

(4) Subsection (1) does not apply, in the case of debits in respect of a loan relationship to which Chapter 2 of Part 6 of CTA 2009 (relevant non-lending relationships) applies, so far as—

(a) the payment of interest under the relationship is expenditure incurred as mentioned in subsection (2)(a), or

(b) the exchange loss arising from the relationship is in respect of a money debt on which the interest payable (if any) is, or would be, such expenditure.

(5) If a debit—

(a) falls to be brought into account for the purposes of Part 5 of CTA 2009 in respect of a loan relationship of a company, but

(b) as a result of this section cannot be brought into account in a way that results in any reduction of what would otherwise be the company's ring fence profits,

the debit is to be brought into account for those purposes as a non-trading debit despite anything in section 297 of that Act.

(6) References in this section to a loan relationship, in relation to the borrowing of money, do not include a relationship to which Chapter 2 of Part 6 of CTA 2009 (relevant non-lending relationships) applies.

287 Restriction on credits to be brought into account

(1) Credits in respect of exchange gains from a company's loan relationships may not be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in any way that results in an increase of what would otherwise be the company's ring fence profits, but this is subject to subsections (2) to (4).

(2) Subsection (1) does not apply so far as a loan relationship is in respect of money borrowed by the company which has been—

(a) used to meet expenditure incurred by the company in carrying on oil extraction activities or in acquiring oil rights otherwise than from a connected person, or

(b) appropriated to meeting expenditure to be so incurred by the company.

(3) Subsection (1) does not apply, in the case of credits falling to be brought into account as a result of section 329 of CTA 2009 in respect of a loan relationship that has not been entered into, so far as the relationship would have been one entered into for the purpose of borrowing money to be used or appropriated as mentioned in subsection (2).

(4) Subsection (1) does not apply, in the case of credits in respect of a loan relationship to which Chapter 2 of Part 6 of CTA 2009 (relevant non-lending relationships) applies, so far as—

(a) the payment of interest under the relationship is expenditure incurred as mentioned in subsection (2)(a), or

(b) the exchange gain arising from the relationship is in respect of a money debt on which the interest payable (if any) is, or would be, such expenditure.

(5) If a credit—

(a) falls to be brought into account for the purposes of Part 5 of CTA 2009 in respect of any loan relationship of a company, but

(b) as a result of this section cannot be brought into account in a way that results in any increase of what would otherwise be the company's ring fence profits,

the credit is to be brought into account for those purposes as a non-trading credit despite anything in section 297 of that Act.

(6) Section 286(6) applies for the purposes of this section.

[F2 287A Restriction where debits or credits relate to decommissioning security settlement

(1) No debits or credits are to be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in respect of a company's loan relationship so far as the loan relationship is in respect of property comprised in a decommissioning security settlement.

(2) For the purposes of this section a settlement is a "decommissioning security settlement" if the sole or main purpose of the settlement is to provide security for the performance of obligations under an abandonment programme.

(3) In subsection (2)—

"abandonment programme" means an abandonment programme approved under Part 4 of the Petroleum Act 1998 (including such a programme as revised), and

"security" has the same meaning as in section 38A of that Act.**]**

Textual Amendments

F2 S. 287A inserted (with effect in accordance with s. 87(3) of the amending Act) by Finance Act 2013 (c. 29), **s. 87(1)**

Sale and lease-back

288 Sale and lease-back

(1) This section applies if conditions A, B and C are met.

(2) Condition A is that a company ("the seller") carrying on a trade has disposed of—

(a) an asset which was used for the purposes of that trade, or

(b) an interest in such an asset.

(3) Condition B is that the asset is used, under a lease, by the seller or a company associated with the seller ("the lessee") for the purposes of a ring fence trade carried on by the lessee.

(4) Condition C is that the lessee uses the asset before the end of the period of two years beginning with the disposal.

(5) Subsection (6) applies to so much (if any) of the expenditure incurred by the lessee under the lease as—

(a) falls, in accordance with generally accepted accounting practice, to be treated in the accounts of the lessee as a finance charge, or

(b) falls, if the lease is a long funding operating lease, to be deductible in calculating the profits of the lessee for corporation tax purposes (after first making against any such expenditure any reductions falling to be made as a result of section 379 (lessee under long funding operating lease)).

But subsection (6) is subject to subsection (7).

(6) The expenditure is not allowable in calculating for the purposes of Part 3 of CTA 2009 the profits of the ring fence trade.

(7) Expenditure is not to be disallowed because of subsection (6) so far as the disposal mentioned in subsection (2) is made for a consideration which—

(a) is used to meet expenditure incurred by the seller in carrying on oil extraction activities or in acquiring oil rights otherwise than from a company associated with the seller, or

(b) is appropriated to meeting expenditure to be so incurred by the seller.

(8) If any expenditure—

(a) would, but for subsection (6), be allowable in calculating for the purposes of Part 3 of CTA 2009 the profits of the ring fence trade for an accounting period, but

(b) because of that subsection is not so allowable,

the expenditure is to be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) as if it were a non-trading debit in respect of a loan relationship of the lessee for that period.

(9) In this section—

"long funding operating lease" means a long funding operating lease for the purposes of Part 2 of CAA 2001 (see section 70YI(1) of that Act), and

"lease", in relation to an asset, has the same meaning as in Chapter 3 of Part 19 (see section 868).

Regional development grants

289 Reduction of expenditure by reference to regional development grant

(1) This section applies if conditions A and B are met.

(2) Condition A is that a person has incurred expenditure (by way of purchase, rent or otherwise) on the acquisition of an asset in a transaction to which paragraph 2 of Schedule 4 to OTA 1975 applies (transactions between connected persons or otherwise than at arm's length).

(3) Condition B is that the expenditure incurred by the other person mentioned in that paragraph in acquiring, bringing into existence or enhancing the value of the asset as mentioned in that paragraph—

(a) has been or is to be met by a regional development grant, and

(b) falls (in whole or in part) to be taken into account under Part 2 or 6 of CAA 2001 (capital allowances relating to plant and machinery or research and development).

(4) Subsection (5) applies for the purposes of the charge to corporation tax on the income arising from the activities of the person mentioned in subsection (2) which are treated by section 279 as a separate trade for those purposes.

(5) The expenditure mentioned in subsection (2) is to be reduced by the amount of the regional development grant mentioned in subsection (3).

(6) In this section "regional development grant" means a grant falling within section 534(1) of CAA 2001 (Northern Ireland regional development grant).

290 Adjustment as a result of regional development grant

(1) This section applies if conditions A, B and C are met.

(2) Condition A is that expenditure incurred by a company in relation to an asset in an accounting period ("the initial period") has been or is to be met by a regional development grant.

(3) Condition B is that, despite the provisions of section 534(2) and (3) of CAA 2001 (Northern Ireland regional development grants) and section 289 of this Act, in determining that company's liability to corporation tax for the initial period, the whole or some part of that expenditure falls to be taken into account under Part 2 or 6 of CAA 2001.

(4) Condition C is that—

(a) expenditure on the asset becomes allowable under section 3 or 4 of OTA 1975 in an accounting period (an "adjustment period") subsequent to the initial period, or

(b) the proportion of any such expenditure which is allowable in an adjustment period is different as compared with the initial period.

(5) There is to be redetermined for the purposes of subsections (7) and (8) the amount of the expenditure mentioned in subsection (2) which would have been taken into account as mentioned in subsection (3) if the circumstances mentioned in subsection (4) had existed in the initial period.

(6) According to whether the amount as so redetermined is greater or less than the amount actually taken into account as mentioned in subsection (3), the difference is referred to in subsections (7) and (8) as the increase or the reduction in the allowance.

(7) If there is an increase in the allowance, an amount of capital expenditure equal to the increase is to be treated, for the purposes of Part 2 or 6 of CAA 2001, as having been

incurred by the company concerned in the adjustment period on an extension of, or addition to, the asset mentioned in subsection (2).

(8) If there is a reduction in the allowance, the company concerned is to be treated, for the purpose of determining its liability to corporation tax, as having received in the adjustment period, as income of the trade in connection with which the expenditure mentioned in subsection (2) was incurred, a sum equal to the amount of the reduction in the allowance.

(9) In this section "regional development grant" has the meaning given by section 289(6).

Tariff receipts etc

291 Tariff receipts etc

(1) Subsection (5) applies to a sum which meets conditions A, B and C.

(2) Condition A is that the sum constitutes a tariff receipt [F3]... of a person who is a participator in an oil field.

(3) Condition B is that the sum constitutes consideration in the nature of income rather than capital.

(4) Condition C is that the sum would not, but for subsection (5), be treated as mentioned in that subsection.

(5) The sum is to be treated as a receipt of the separate trade mentioned in section 279.

(6) So far as they would not otherwise be so treated, the activities—

(a) of a participator in an oil field, or

(b) of a person connected with the participator,

in making available an asset in a way which gives rise to tariff receipts [F4]... of the participator are to be treated for the purposes of this Part as oil extraction activities.

(7) In determining for the purposes of subsection (2) whether a sum constitutes a tariff receipt [F5]... of a person who is a participator, no account may be taken of any sum which—

(a) is in fact received or receivable by a person connected with the participator, and

(b) constitutes a tariff receipt [F5]... of the participator.

But in relation to the person by whom such a sum is actually received, subsection (2) has effect as if the person were a participator and as if condition A were met.

(8) References in this section to a person connected with a participator include a person with whom the person is associated, within the meaning of paragraph 11 of Schedule 2 to the Oil Taxation Act 1983, but section 1176(1) of this Act (meaning of "connected" persons) does not apply for the purposes of this section.

[[F6](9) In this section, "tariff receipt" has the meaning given by section 291A.

(10) So far as it would not otherwise be the case, anything that constitutes a tariff receipt or a tax-exempt tariffing receipt for the purposes of the Oil Taxation Act 1983 is to be treated as a "tariff receipt" for the purposes of this section.**]**

Textual Amendments

F3 Words in s. 291(2) omitted (with effect in accordance with s. 22(5) of the amending Act) by virtue of Finance Act 2018 (c. 3), **s. 22(4)(a)**

F4 Words in s. 291(6) omitted (with effect in accordance with s. 22(5) of the amending Act) by virtue of Finance Act 2018 (c. 3), **s. 22(4)(b)**

F5 Words in s. 291(7) omitted (with effect in accordance with s. 22(5) of the amending Act) by virtue of Finance Act 2018 (c. 3), **s. 22(4)(c)**

F6 S. 291(9)(10) substituted for s. 291(9) (with effect in accordance with s. 22(5) of the amending Act) by Finance Act 2018 (c. 3), **s. 22(2)**

[F7 291A Meaning of "tariff receipt"

(1) A "tariff receipt" of a participator in an oil field is the amount or value of any consideration received or receivable by the person in respect of—

(a) the use of a ring fence asset, or

(b) the provision of services or other business facilities (of whatever kind) in connection with the use, otherwise than by the participator, of a ring fence asset.

(2) "Ring fence asset" means a qualifying asset which is, or has been, used wholly or partly for the purposes of a ring fence trade.

(3) "Qualifying asset" means an asset other than—

(a) land or an interest in land, or

(b) a building or structure which—

(i) is situated on land, and

(ii) does not fall within any of sub-paragraphs (i) to (iv) of paragraph (c) of section 3(4) of OTA 1975 (allowable expenditure: exclusions).

(4) But an amount does not constitute a tariff receipt if the amount—

(a) is, in relation to the person giving it, expenditure in respect of interest or any other pecuniary obligation incurred in obtaining a loan or any other form of credit,

(b) is referable to the use of a qualifying asset for, or the provision of services or facilities in connection with, deballasting, or

(c) is referable to other use of an asset, except use wholly or partly for an oil purpose.

(5) Any consideration which includes an amount within subsection (4)(a) to (c) is to be apportioned in a just and reasonable manner.

(6) In subsection (4)(c), the reference to use of an asset for an oil purpose is a reference to—

(a) use in connection with an oil field (including use giving rise to receipts which, for the purposes of this Part, are tariff receipts), and

(b) use for any other purpose (apart from a purpose falling within section 3(1)(b) of OTA 1975 (allowable expenditure: payment in connection with a relevant licence)) of a separate trade consisting of oil-related activities.

Textual Amendments

F7 Ss. 291A, 291B inserted (with effect in accordance with s. 22(5) of the amending Act) by Finance Act 2018 (c. 3), **s. 22(3)**

291B Tariff receipts: counteraction of avoidance arrangements

(1) Subsection (2) applies if an arrangement has been entered into, the main purpose or one of the main purposes of which is to obtain a tax advantage by reference to section 291.

(2) The relevant tax advantage is to be counteracted by the making of such adjustments as are just and reasonable.

(3) Any adjustments required to be made under this section (whether or not by an officer of Revenue and Customs) may be made by way of—

(a) an assessment,

(b) the modification of an assessment,

(c) amendment or disallowance of a claim,

or otherwise.

(4) In this section—

"arrangement" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);

"tax advantage" has the meaning given by section 1139.**]**

Textual Amendments

F7 Ss. 291A, 291B inserted (with effect in accordance with s. 22(5) of the amending Act) by Finance Act 2018 (c. 3), **s. 22(3)**

Abandonment guarantees

292 [F8Expenditure on abandonment guarantees]

(1) Subsection (2) applies if, as a result of section 3(1)(hh) of OTA 1975 (obtaining abandonment guarantee), expenditure incurred by a participator in an oil field is allowable (in whole or in part) for petroleum revenue tax purposes under section 3 of that Act.

[F9(1A) Subsection (2) also applies if expenditure incurred by a participator in an oil field would be so allowable as a result of section 3(1)(hh) of that Act but for the fact that the oil field is a non-taxable oil field within the meaning of Part 3 of FA 1993 (see section 185 of that Act).**]**

(2) So far as **[**F10the expenditure mentioned in subsection (1) or (1A) is or would be so allowable**]** , it is to be allowed as a deduction in calculating the participator's ring fence income.

F11(3) . . . . . .

F11(4) . . . . . .

F12(5) . . . . . .

(6) In this Chapter—

"abandonment guarantee" has the same meaning as it has for the purposes of **[**F13section 3 of OTA 1975**]** (see section 104 of **[**F14FA 1991 **]**), and

"the guarantor" and "the relevant participator" have the same meaning as in section 104 of that Act.

Textual Amendments

F8 S. 292 heading substituted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 18(4)**

F9 S. 292(1A) inserted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 2(2)(a)**

F10 Words in s. 292(2) substituted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 2(2)(b)**

F11 S. 292(3)(4) omitted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 31 para. 7(2)**

F12 S. 292(5) omitted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 31 para. 18(2)**

F13 Words in s. 292(6) substituted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 18(3)(a)**

F14 Words in s. 292(6) substituted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 18(3)(b)**

F15293 Relief for reimbursement expenditure under abandonment guarantees

. . . . . .

Textual Amendments

F15 S. 293 omitted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 31 para. 7(3)**

F16294 Payment under abandonment guarantee not immediately applied

. . . . . .

Textual Amendments

F16 Ss. 294, 295 omitted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 31 para. 19**

F16295 Amounts excluded from section 293(1)

. . . . . .

Textual Amendments

F16 Ss. 294, 295 omitted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 31 para. 19**

Abandonment expenditure

296 [F17Introduction to section 297]

(1) **[**F18Section 297 applies **]** if—

(a) paragraph 2A of Schedule 5 to OTA 1975 applies, F19..., and

(b) the default payment falls (in whole or part) to be attributed to the contributing participator under paragraph 2A(2) of that Schedule **[**F20, or would fall to be so attributed if a claim under paragraph 2A(2) of that Schedule were made**]** .

[F21(1A) The condition in subsection (1)(b) is to be treated as met for the purposes of this section if it would be met but for the fact that the contributing participator is (or was) a participator in an oil field that is a non-taxable oil field within the meaning of Part 3 of FA 1993 (see section 185 of that Act).**]**

(2) In section 297 "the additional abandonment expenditure" means the amount which is **[**F22or would be **]** attributed to the contributing participator as mentioned in subsection (1)(b) (whether representing the whole or only part of the default payment).

(3) In this Chapter "default payment", "the defaulter" and "contributing participator" have the same meaning as in paragraph 2A of Schedule 5 to OTA 1975.

Textual Amendments

F17 S. 296 heading substituted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 20(b)**

F18 Words in s. 296(1) substituted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 20(a)**

F19 Words in s. 296(1)(a) omitted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 31 para. 2(3)(a)**

F20 Words in s. 296(1)(b) inserted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 2(3)(b)**

F21 S. 296(1A) inserted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 2(3)(c)**

F22 Words in s. 296(2) inserted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 2(3)(d)**

297 Relief for expenditure incurred by a participator in meeting defaulter's abandonment expenditure

(1) Relief by way of capital allowance, or a deduction in calculating ring fence income, is to be available to the contributing participator in respect of the additional abandonment expenditure if any such relief or deduction would have been available to the defaulter if—

(a) the defaulter had incurred the additional abandonment expenditure, and

(b) at the time that that expenditure was incurred the defaulter continued to carry on a ring fence trade.

(2) The basis of qualification for or entitlement to any relief or deduction which is available to the contributing participator under this section is to be determined on the assumption that the conditions in subsection (1)(a) and (b) are met.

(3) But, subject to subsection (2), any such relief or deduction is to be available in the same way as if the additional abandonment expenditure had been incurred by the contributing participator for the purposes of the ring fence trade carried on by the contributing participator.

[F23]298 Reimbursement by defaulter in respect of certain abandonment expenditure

. . . . . .

Textual Amendments

F23 S. 298 omitted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 31 para. 10**

I[F24]Receipts arising from decommissioning

Textual Amendments

F24 S. 298A and cross-heading inserted (with effect in accordance with Sch. 31 para. 23 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 31 para. 21**

298A Receipts arising from decommissioning

(1) This section applies if—

(a) a company that is or has been carrying on a ring fence trade ("the defaulter") has defaulted on a liability under—

(i) a relevant agreement, or

(ii) an abandonment programme,

to make a payment towards decommissioning expenditure,

(b) another company that is or has been carrying on a ring fence trade ("the contributing company") pays an amount ("the relevant contribution") in or towards meeting the whole or part of the default, and

(c) the amount of the relevant contribution is less than the sum of the amounts within subsection (2).

(2) The amounts within this subsection are—

(a) any payments made (directly or indirectly) to the contributing company by the guarantor under an abandonment guarantee as a result of the defaulter defaulting on the liability,

(b) any reimbursement payments, and

(c) any relief from tax which the contributing company obtains in respect of the relevant contribution.

(3) The difference between—

(a) the sum of the amounts within subsection (2), and

(b) the relevant contribution,

("the relevant difference") is to be treated as a receipt (in the nature of income) of the contributing company's ring fence trade for the relevant accounting period (see subsection (4)).

(4) "The relevant accounting period" means the accounting period that includes the day on which the Secretary of State certifies that the relevant abandonment programme has been satisfactorily completed ("the certification date").

This is subject to subsections (5) and (6).

(5) If the contributing company has ceased to carry on the ring fence trade before the certification date, "the relevant accounting period" is the last accounting period of the trade.

(6) If the contributing company has ceased to be within the charge to corporation tax in respect of the ring fence trade before the certification date, "the relevant accounting period" is the accounting period during or at the end of which the contributing company ceased to be within the charge to corporation tax in respect of the trade.

(7) The relevant difference is to be determined—

(a) in a case where subsection (5) or (6) applies, at the end of the calendar year in which the certification date falls, and

(b) in any other case, at the end of the relevant accounting period.

(8) In a case where subsection (5) or (6) applies, any corporation tax chargeable for the relevant accounting period by virtue of this section is due and payable as if it were corporation tax for an accounting period beginning with the certification date.

(9) Any additional assessment to corporation tax required in order to take account of a receipt arising under this section may be made at any time not later than 4 years after the end of the calendar year in which the certification date falls.

(10) In this section—

"abandonment programme" means an abandonment programme approved under Part 4 of the Petroleum Act 1998 (including such a programme as revised),

"decommissioning expenditure" has the meaning given by section 330C,

"reimbursement payment" means any payment made to the contributing company by the defaulter in reimbursing the contributing company in respect of, or otherwise making good to the contributing company, the whole or any part of the relevant contribution,

"the relevant abandonment programme" means the abandonment programme in respect of which the decommissioning expenditure mentioned in subsection (1)(a) was incurred, and

"relevant agreement" has the meaning given by section 104(5)(a) of FA 1991.**]**

Deduction of PRT in calculating income for corporation tax purposes

299 Deduction of PRT in calculating income for corporation tax purposes

(1) This section applies if a participator in an oil field has paid any petroleum revenue tax with which the participator was chargeable for a chargeable period.

(2) In calculating for corporation tax the amount of the participator's income arising from oil extraction activities or oil rights in the relevant accounting period, there is to be deducted an amount equal to that petroleum revenue tax.

(3) There are to be made all such adjustments of assessments to corporation tax as are required in order to give effect to subsection (2).

(4) In this section "the relevant accounting period", in relation to any petroleum revenue tax paid by a company, means—

(a) the accounting period of the company in or at the end of which the chargeable period for which that tax was charged ends, or

(b) if that chargeable period ends after the accounting period of the company in or at the end of which the company—

(i) ceases to carry on the trade giving rise to the income referred to above, or

(ii) ceases to be within the charge to corporation tax in respect of the trade,

that accounting period.

300 Effect of repayment of PRT: general rule

(1) This section applies if some or all of the petroleum revenue tax in respect of which a deduction has been made under section 299(2) is subsequently repaid.

(2) The deduction is to be reduced or extinguished accordingly.

(3) Any additional assessment to corporation tax required in order to give effect to subsection (2) may be made at any time not later than 4 years after the end of the calendar year in which the petroleum revenue tax was repaid.

(4) This section is subject to section 301.

301 Effect of repayment of PRT: special rule

(1) This section applies if, in a case where paragraph 17 of Schedule 2 to OTA 1975 applies, an amount of petroleum revenue tax in respect of which a deduction has been made under section 299(2) is repaid as a result of an assessment under that Schedule or an amendment of such an assessment.

(2) As regards so much of that repayment as constitutes the appropriate repayment—

(a) section 300 does not apply, and

(b) the following provisions apply in relation to the company which is entitled to the repayment.

(3) In calculating for corporation tax the amount of the company's income arising in the relevant accounting period from oil extraction activities or oil rights there is to be added an amount equal to the appropriate repayment (but this is subject to subsections (4) and (5)).

(4) Subsection (5) applies if—

(a) two or more carried back losses give rise to the appropriate repayment,

(b) the operative chargeable period in relation to each of the carried back losses is not the same, and

(c) if this section were applied separately in relation to each of the carried back losses there would be more than one relevant accounting period.

(5) The appropriate repayment is to be treated as apportioned between each of the relevant accounting periods mentioned in subsection (4)(c) in such a way as to secure that the amount added as a result of subsection (3) in relation to each of those relevant accounting periods is what it would have been if—

(a) relief for each of the carried back losses for which there is a different operative chargeable period had been given by a separate assessment or amendment of an assessment under Schedule 2 to OTA 1975, and

(b) relief for a carried back loss accruing in an earlier chargeable period had been so given before relief for a carried back loss accruing in a later chargeable period.

(6) Any additional assessment to corporation tax required in order to give effect to the addition of an amount as a result of subsection (3) may be made at any time not later than 4 years after the end of the calendar year in which the repayment of petroleum revenue tax comprising the appropriate repayment is made.

(7) In this section—

"allowable loss" has the same meaning as in Part 1 of OTA 1975 (see section 2 of that Act),

"the appropriate repayment" has the meaning given by paragraph 17(2) of Schedule 2 to that Act,

"carried back loss", in relation to the appropriate repayment, means an allowable loss—

(a) which falls within paragraph 17(1)(a) of Schedule 2 to OTA 1975, and

(b) which (alone or together with one or more other carried back losses) gives rise to the appropriate repayment,

"the operative chargeable period", in relation to a carried back loss, means the chargeable period in which the loss accrued, and

"the relevant accounting period", in relation to the company which is entitled to the appropriate repayment, means—

(a) the accounting period in or at the end of which the operative chargeable period ends,

(b) if the company ceases to carry on its ring fence trade before the end of the operative chargeable period, the last accounting period of that trade, or

(c) if the company ceases to be within the charge to corporation tax in respect of that trade before the end of the operative chargeable period, the accounting period during or at the end of which the company ceased to be within the charge to corporation tax in respect of that trade.

Interest on repayment of PRT or APRT

302 Interest on repayment of PRT or APRT

(1) Subsection (3) applies if any amount of petroleum revenue tax paid by a participator in an oil field is, under any provision of Part 1 of OTA 1975, repaid to the participator with interest.

(2) Subsection (3) also applies if interest is paid to a participator under paragraph 10(4) of Schedule 19 to FA 1982 (interest on advance petroleum revenue tax which becomes repayable).

(3) The interest paid is to be disregarded in calculating the participator's income for corporation tax purposes.

Relief

303 Management expenses

No deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) is to be allowed from a company's ring fence profits.

[F25 303A Introduction to sections 303B to 303D: post-1 April 2017 non-decommissioning losses of ring fence trades

(1) This section has effect for the purposes of sections 303B to 303D.

(2) A loss made by a company in a ring fence trade is a "non-decommissioning loss" so far as it is not attributable to expenditure which is relevant expenditure in relation to a decommissioning relief agreement.

(3) Where a company makes a loss for an accounting period in a ring fence trade, the amount (if any) of that loss that is "attributable to" expenditure which is relevant expenditure in relation to a decommissioning relief agreement is equal to—

(a) the total amount of such expenditure brought into account in calculating that loss, or

(b) if lower, the amount of the loss.

(4) Expenditure is "relevant expenditure" in relation to a decommissioning relief agreement if it is decommissioning expenditure (as defined in section 81 of FA 2013) to which the provision of the agreement described in section 80(2)(b) of that Act relates.

In this subsection the reference to section 81 of FA 2013 is to that section as it has effect when the agreement in question is made.

(5) In this section "decommissioning relief agreement" has the meaning given by section 80 of FA 2013.

Textual Amendments

F25 Ss. 303A-303D inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 48**

303B Carry forward of losses against subsequent profits

(1) This section applies if—

(a) in an accounting period beginning on or after 1 April 2017 ("the loss-making period") a company makes a non-decommissioning loss in a ring fence trade,

(b) relief under—

section 37 or 42, or

Part 5 (group relief),

is not given for an amount of the loss ("the unrelieved amount"), and

(c) the company continues to carry on the ring fence trade in the next accounting period ("the later period").

(2) The unrelieved amount is carried forward to the later period.

(3) Relief for the unrelieved amount is given to the company in the later period if the company makes a profit in the trade for the later period.

(4) The relief is given by reducing the profits of the trade in the later period by the unrelieved amount.

(5) Relief under this section is subject to restriction or modification in accordance with the provisions of the Corporation Tax Acts.

Textual Amendments

F25 Ss. 303A-303D inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 48**

303C Excess carried forward losses: relief against total profits

(1) This section applies if—

(a) an amount of a non-decommissioning loss made in a ring fence trade is carried forward to an accounting period of a company ("the later period") under section 303B(2) or 303D(3), and

(b) any of that amount ("the unrelieved amount") is not deducted under section 303B(4) or 303D(5) (as the case may be) from the company's profits of the trade (if any) of the later period.

(2) The company may make a claim for relief to be given for the unrelieved amount under this section (but see subsection (4)).

(3) If the company makes a claim, the relief is given by deducting the unrelieved amount, or any part of it specified in the claim, from the company's total profits of the later period.

(4) The company may not make a claim if—

(a) the ring fence trade became small or negligible in the loss-making period or any intervening period,

(b) relief under section 37 was unavailable for the non-decommissioning loss by reason of section 37(5) or 44, or

(c) relief under section 37 would be unavailable by reason of section 44 for a loss (assuming there was one) made in the ring fence trade in the later period or any intervening period.

(5) In subsection (4)—

"intervening period" means an accounting period of the company which begins after the loss-making period and before the later period, and

"the loss-making period" means the accounting period of the company in which the non-decommissioning loss was made.

(6) A claim under this section must be made—

(a) within the period of two years after the end of the later period, or

(b) within such further period as an officer of Revenue and Customs may allow.

(7) Relief under this section is subject to restriction or modification in accordance with the provisions of the Corporation Tax Acts.

Textual Amendments

F25 Ss. 303A-303D inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 48**

303D Further carry forward against subsequent profits of loss not fully used

(1) This section applies if—

(a) an amount of a loss made in a ring fence trade is carried forward to an accounting period ("the later period") of a company under section 303B(2) or subsection (3) of this section,

(b) any of that amount is unrelieved in the later period, and

(c) the company continues to carry on the ring fence trade in the accounting period ("the further period") after the later period.

(2) An amount carried forward as mentioned in subsection (1)(a) is "unrelieved in the later period" so far as it is not—

(a) deducted under section 303B(4) or subsection (5) of this section from the company's profit (if any) of the later period,

(b) deducted from the company's total profits of the later period on a claim under section 303C, or

(c) surrendered by way of group relief for carried-forward losses under Part 5A of CTA 2010.

(3) So much of the amount mentioned in subsection (1)(a) as is unrelieved in the later period is carried forward to the further period.

(4) Relief for the amount carried forward under subsection (3) ("the remaining carried forward amount") is given to the company in the further period if the company has a profit in the trade for that period.

(5) The relief is given by reducing the profits of the trade of the further period by the remaining carried forward amount.

(6) Relief under this section is subject to restriction or modification in accordance with the provisions of the Corporation Tax Acts.**]**

Textual Amendments

F25 Ss. 303A-303D inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 48**

304 Losses

(1) Relief in respect of a loss incurred by a company may not be given under section 37 (relief for trade losses against total profits) against that company's ring fence profits except so far as the loss arises from oil extraction activities or from oil rights.

[F26(1A) Relief in respect of a loss incurred by a company may not be given against that company's ring fence profits under any provision listed in subsection (1B).

(1B) The provisions are—

(a) section 753 of CTA 2009 (non-trading losses on intangible fixed assets);

(b) section 45A (carry forward of trade loss against total profits);

(c) section 62(3) (relief for losses made in UK property business).**]**

(2) Subsection (5) applies if conditions A and B are met.

(3) Condition A is that a company incurs a loss in an accounting period in activities ("separate activities") which, for that or any subsequent accounting period, are treated by section 279 as a separate trade for the purposes of the charge to corporation tax on income.

(4) Condition B is that any of the company's trading income in any subsequent accounting period is derived from activities ("related activities") which are not part of the separate activities but which would together with those activities constitute a single trade, were it not for section 279.

(5) The loss may be used under section 45 **[**F27 45B, 303B(4) or 303D(5)**]** (carry forward of trade loss against subsequent trade profits) to reduce so much of the company's trading income in any subsequent accounting period as is derived from the related activities.

(6) Subsection (5) applies despite anything in section 279.

[F28(7) A deduction in respect of a loss made in a ring fence trade is to be ignored for the purposes of section 269ZB (restriction on deductions from trading profits) if the deduction is under—

(a) section 45 (carry forward of pre-1 April 2017 trade loss against subsequent profits), or

(b) section 45B (carry forward of post-1 April 2017 trade loss against total profits).**]**

Textual Amendments

F26 S. 304(1A)(1B) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 49(2)**

F27 Words in s. 304(5) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 49(3)**

F28 S. 304(7) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 49(4)**

305 Group relief [F29and group relief for carried-forward losses]

(1) On a claim for group relief made by a claimant company in relation to a surrendering company, group relief may not be allowed against the claimant company's ring fence profits except so far as the claim relates to losses incurred by the surrendering company that arose from oil extraction activities or from oil rights.

[F30(1A) On a claim under Chapter 3 of Part 5A, group relief for carried-forward losses may not be allowed against the claimant company's ring fence profits.**]**

(2) In section 105 (restriction on surrender of losses etc within section 99(1)(d) to (g)) the references to the surrendering company's gross profits of the surrender period do not include the company's relevant ring fence profits for that period.

(3) The company's "relevant ring fence profits" for that period are—

(a) if for that period there are no qualifying charitable donations made by the company that are allowable under Part 6 (charitable donations relief), the company's ring fence profits for that period, or

(b) otherwise, so much of the company's ring fence profits for that period as exceeds the amount of the qualifying charitable donations made by the company that are allowable under section 189 for that period.

[F31(4) In this section—

"claimant company" is to be read in accordance with Part 5 (see section 188) or Part 5A (see sections 188CB(2) and 188CC(2)), as the case requires;

"surrendering company" is to be read in accordance with Part 5 (see section 188).**]**

Textual Amendments

F29 Words in s. 305 heading inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 50(2)**

F30 S. 305(1A) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 50(3)**

F31 S. 305(4) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 50(4)**

306 Capital allowances

(1) A capital allowance may not to any extent be given effect under section 259 or 260 of CAA 2001 (special leasing) by deduction from a company's ring fence profits.

(2) But subsection (1) does not apply to a capital allowance which falls to be made to a company for any accounting period in respect of an asset which—

(a) is used in the relevant accounting period by a company associated with it, and

(b) is so used in carrying on oil extraction activities.

(3) "The relevant accounting period" means that for which the allowance in question first falls to be made to the company (whether or not it can to any extent be given effect in that period under section 259 of CAA 2001).

Status:
Point in time view as at 15/03/2018.

Changes to legislation:
Corporation Tax Act 2010, Chapter 4 is up to date with all changes known to be in force on or before 09 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.