Finance Act 2016

2016 CHAPTER 24

PART 2

CORPORATION TAX

Oil and gas

58 Reduction in rate of supplementary charge

(1) In section 330 of CTA 2010 (supplementary charge in respect of ring fence trades), in subsection (1), for "20%" substitute "10%".

(2) The amendment made by subsection (1) has effect in relation to accounting periods beginning on or after 1 January 2016 (but see also subsection (3)).

(3) Subsections (4) and (5) apply where a company has an accounting period beginning before 1 January 2016 and ending on or after that date ("the straddling period").

(4) For the purpose of calculating the amount of the supplementary charge on the company for the straddling period—

(a) so much of that period as falls before 1 January 2016, and so much of that period as falls on or after that date, are treated as separate accounting periods, and

(b) the company's adjusted ring fence profits for the straddling period are apportioned to the two separate accounting periods in proportion to the number of days in those periods.

(5) The amount of the supplementary charge on the company for the straddling period is the sum of the amounts of supplementary charge that would, in accordance with subsection (4), be chargeable on the company for those separate accounting periods.

(6) In this section—

"adjusted ring fence profits" has the same meaning as in section 330 of CTA 2010;

"supplementary charge" means any sum chargeable under section 330(1) of CTA 2010 as if it were an amount of corporation tax.

59 Investment allowance: disqualifying conditions

(1) Section 332D of CTA 2010 (expenditure on acquisition of asset: disqualifying conditions) is amended as follows.

(2) In subsection (1) after "an asset" insert "("the acquisition concerned")".

(3) In subsection (2)—

(a) for "acquisition," substitute "acquisition concerned," and

(b) after "acquiring," insert "leasing,".

(4) In subsection (3)(b)—

(a) for "acquisition," substitute "acquisition concerned,", and

(b) after "acquiring," insert "leasing,".

(5) After subsection (4) insert—

"(5) In subsection (3)(c) "this Chapter" means the provisions of this Chapter, and of any regulations made under this Chapter, as those provisions have effect at the time when the investment expenditure mentioned in subsection (1) is incurred.

(6) Subsections (7) and (8) apply where investment expenditure mentioned in subsection (1) would, in the absence of this section, be relievable under section 332C by reason of section 332CA (treatment of expenditure incurred before field is determined).

(7) Where this subsection applies—

(a) subsection (2) is to be read as if after "was" there were inserted ", or has become,", and

(b) in determining for the purposes of subsection (2) or (3)(b) whether particular expenditure was incurred "before" the acquisition concerned—

(i) paragraph (b) of section 332CA(3) is to be ignored, and

(ii) accordingly, that expenditure is to be taken (for the purposes of determining whether it was incurred before the acquisition concerned) to have been incurred when it was actually incurred.

(8) Where this subsection applies, in determining whether the second disqualifying condition applies to the asset—

(a) the reference in subsection (3)(a)(i) to a qualifying oil field is to be read as including an area which, at the time of the acquisition concerned, had not been determined to be an oil field but which has subsequently become a qualifying oil field,

(b) the reference in subsection (3)(a)(ii) to a qualifying oil field is to be read as including an area which, at the time of the transfer, had not been determined to be an oil field but which has subsequently become a qualifying oil field,

(c) the reference in subsection (3)(c)(i) to "the qualifying oil field" is to be read accordingly, and

(d) the following sub-paragraph is to be treated as substituted for subsection (3)(c)(ii)—

"(ii) would have been relievable under section 332C if this Chapter had been fully in force and had applied to expenditure incurred at the time when that expenditure was actually incurred and the area in question had been a qualifying oil field at that time."

(9) In subsection (8)(a) and (b) "determined" means determined under Schedule 1 to OTA 1975.

(10) In this section any reference to expenditure which was incurred by a company in "leasing" an asset is to expenditure incurred by the company under an agreement under which the asset was leased to the company."

(6) The amendments made by this section have effect for the purposes of determining whether any expenditure—

(a) incurred by a company on or after 16 March 2016 on the acquisition of an asset, or

(b) treated under section 332CA of CTA 2010 as so incurred,

is relievable expenditure for the purposes of section 332C of CTA 2010.

60 Investment allowance: power to expand meaning of "relevant income"

(1) Section 332F of CTA 2010 (activation of investment allowance) is amended as follows.

(2) In subsection (2)(b) before "the company's relevant income" insert "the total amount of".

(3) For subsection (3) substitute—

"(3) For the purposes of this Chapter, income is relevant income of a company from a qualifying oil field for an accounting period if it is—

(a) production income of the company from any oil extraction activities carried on in that oil field that is taken into account in calculating the company's adjusted ring fence profits for the accounting period, or

(b) income that—

(i) is income of such description (whether or not relating to the oil field) as may be prescribed by the Treasury by regulations, and

(ii) is taken into account as mentioned in paragraph (a).

(4) The Treasury may by regulations make such amendments of this Chapter as the Treasury consider appropriate in consequence of, or in connection with, any provision contained in regulations under subsection (3)(b).

(5) Regulations under subsection (3)(b) or (4) may provide for any of the provisions of the regulations to have effect in relation to accounting periods ending before (or current when) the regulations are made.

(6) But subsection (5) does not apply to—

(a) any provision of amending or revoking regulations under subsection (3)(b) which has the effect that income of any description is to cease to be treated as relevant income of a company from a qualifying oil field for an accounting period, or

(b) provision made under subsection (4) in consequence of or in connection with provision within paragraph (a).

(7) Regulations under this section may make transitional provision or savings.

(8) Regulations under this section may not be made unless a draft of the instrument containing them has been laid before, and approved by a resolution of, the House of Commons."

61 Onshore allowance: disqualifying conditions

(1) CTA 2010 is amended as follows.

(2) In section 356C after subsection (4) insert—

"(4A) Subsections (1) to (4) are subject to section 356CAA (which prevents expenditure on the acquisition of an asset from being relievable in certain circumstances)."

(3) After section 356CA insert—

"**356CAA Expenditure on acquisition of asset: further disqualifying conditions**

(1) Capital expenditure incurred by a company ("the acquiring company") on the acquisition of an asset ("the acquisition concerned") is not relievable capital expenditure for the purposes of section 356C if subsection (2), (3) or (8) applies to the asset.

(2) This subsection applies to the asset if capital expenditure incurred before the acquisition concerned, by the acquiring company or another company, in acquiring, bringing into existence or enhancing the value of the asset was relievable under section 356C.

(3) This subsection applies to the asset if—

(a) the asset—

(i) is the whole or part of the equity in a qualifying site, or

(ii) is acquired in connection with a transfer to the acquiring company of the whole or part of the equity in a qualifying site,

(b) capital expenditure was incurred before the acquisition concerned, by the acquiring company or another company, in acquiring, bringing into existence or enhancing the value of the asset, and

(c) any of that expenditure—

(i) related to the qualifying site, and

(ii) would have been relievable under section 356C if this Chapter had been fully in force and had applied to expenditure incurred at that time.

(4) For the purposes of subsection (3)(a)(ii) it does not matter whether the asset is acquired at the time of the transfer.

(5) In subsection (3)(c) "this Chapter" means the provisions of this Chapter as those provisions have effect at the time when the capital expenditure mentioned in subsection (1) is incurred.

(6) The reference in subsection (3)(c)(i) to the qualifying site includes an area that, although not a qualifying site when the expenditure mentioned in subsection (3)(b) was incurred, subsequently became the qualifying site.

(7) Where expenditure mentioned in subsection (3)(b) related to an area which subsequently became the qualifying site, the following sub-paragraph is to be treated as substituted for subsection (3)(c)(ii)—

"(ii) would have been relievable under section 356C if the area in question had been a qualifying site when the expenditure was incurred, or if the area in question had been such a site at that time and this Chapter had been fully in force and had applied to expenditure incurred at that time."

(8) This subsection applies to the asset if—

(a) capital expenditure mentioned in subsection (1) would, in the absence of this section, be relievable under section 356C by reason of an election under section 356CB (treatment of expenditure not related to an established site), and

(b) capital expenditure which was incurred before the acquisition concerned, by the acquiring company or another company, in acquiring, bringing into existence or enhancing the value of the asset, either—

(i) has become relievable under section 356C by reason of an election under section 356CB, or

(ii) would be so relievable if such an election were made in respect of that expenditure.

(9) In determining for the purposes of subsection (8)(b) whether particular expenditure was incurred "before" the acquisition concerned—

(a) paragraph (b) of section 356CB(6) is to be ignored, and

(b) accordingly, that expenditure is to be taken (for the purposes of determining whether it was incurred before the acquistion concerned) to have been incurred when it was actually incurred.

(10) For the purposes of subsection (8)(b)(ii) it does not matter if an election is not in fact capable of being made."

(4) The amendments made by this section have effect for the purposes of determining whether any expenditure—

(a) incurred by a company on or after 16 March 2016 on the acquisition of an asset, or

(b) treated by reason of an election under section 356CB as so incurred,

is relievable expenditure for the purposes of section 356C of CTA 2010.

62 Cluster area allowance: disqualifying conditions

(1) Section 356JFA of CTA 2010 (expenditure on acquisition of asset: disqualifying conditions) is amended as follows.

(2) In subsection (2) after "acquiring," insert "leasing,".

(3) In subsection (3)(b) after "acquiring," insert "leasing,".

(4) After subsection (4) insert—

"(5) In this section any reference to expenditure which was incurred by a company in "leasing" an asset is to expenditure incurred by the company under an agreement under which the asset was leased to the company."

(5) The amendments made by this section have effect for the purposes of determining whether any expenditure incurred by a company on or after 16 March 2016 on the acquisition of an asset is relievable expenditure for the purposes of section 356JF of CTA 2010.

63 Cluster area allowance: power to expand meaning of "relevant income"

(1) Section 356JH of CTA 2010 (activation of cluster area allowance) is amended as follows.

(2) In subsection (2)(b) before "the company's relevant income" insert "the total amount of".

(3) For subsection (3) substitute—

"(3) For the purposes of this Chapter, income is relevant income of a company from a cluster area for an accounting period if it is—

(a) production income of the company from any oil extraction activities carried on in that area that is taken into account in calculating the company's adjusted ring fence profits for the accounting period, or

(b) income that—

(i) is income of such description (whether or not relating to the cluster area) as may be prescribed by the Treasury by regulations, and

(ii) is taken into account as mentioned in paragraph (a).

(4) The Treasury may by regulations make such amendments of this Chapter as the Treasury consider appropriate in consequence of, or in connection with, any provision contained in regulations under subsection (3)(b).

(5) Regulations under subsection (3)(b) or (4) may provide for any of the provisions of the regulations to have effect in relation to accounting periods ending before (or current when) the regulations are made.

(6) But subsection (5) does not apply to—

(a) any provision of amending or revoking regulations under subsection (3)(b) which has the effect that income of any description is to cease to be treated as relevant income of a company from a cluster area for an accounting period, or

(b) provision made under subsection (4) in consequence of or in connection with provision within paragraph (a).

(7) Regulations under this section may make transitional provision or savings.

(8) Regulations under this section may not be made unless a draft of the instrument containing them has been laid before, and approved by a resolution of, the House of Commons.”