SCHEDULES

SCHEDULE 5

COMPANIES' CHARGEABLE GAINS: TRANSITIONAL PROVISIONS

PART II

SPECIAL CASES

Companies carrying on oil extraction activities etc.

8 (1) Subject to the following provisions of this paragraph, a separate computation shall be made under subsections (3) and (7) of section 79 of the Finance Act 1984 (gains on certain disposals related to oil fields) for each of the component periods.

(2) If, by virtue of paragraph (a) of subsection (7) of section 79 of the Finance Act 1984, a loss which accrues on a material disposal to a connected person is excluded from those which are taken into account in the computation under subsection (3) of that section for the second component period, then—

(a) for the purposes of the application of section 62 of the Capital Gains Tax Act 1979, as modified by paragraph (b) of the said subsection (7), in relation to that loss, the first component period shall be treated as if it were subsequent to the second (so as to permit the loss to be set against an appropriate chargeable gain of the first component period); and

(b) paragraph (c) of subsection (7) of the said section 79 shall apply accordingly in relation to the gains which are taken into account in the computation under subsection (3) of that section for the first component period.

(3) If, on the initial computation in accordance with sub-paragraphs (1) and (2) above, there would be an aggregate gain for one of the component periods and an aggregate loss for the other, then, for the purposes of this paragraph, that aggregate loss shall be set against that aggregate gain so as to produce—

(a) for one of the component periods neither an aggregate gain nor an aggregate loss; and

(b) for the other component period either an aggregate gain or an aggregate loss (according as the original aggregate gain was greater or smaller than the original aggregate loss);

or, if the original aggregate gain was equal to the original aggregate loss, neither an aggregate gain nor an aggregate loss for either component period.

(4) Section 93 of the Finance Act 1972 (corporation tax liability in respect of chargeable gains) shall not apply to either component period.

(5) The amounts computed for the two component periods in accordance with sub-paragraphs (1) to (4) above shall themselves be aggregated to give an aggregate gain or aggregate loss for the straddling period as a whole and that aggregate gain or loss

shall not itself be subject to any reduction under section 93 of the Finance Act 1972 except in accordance with sub-paragraph (7) below.

(6) Subsections (4) and (5) of section 79 of the Finance Act 1984 shall apply in relation to the aggregate gain or aggregate loss of the straddling period as a whole (as determined under sub-paragraph (5) above) as if it were the aggregate gain or loss referred to in (and derived from) subsection (3) of that section.

(7) If there is an aggregate gain of the straddling period as a whole, only so much (if any) of that gain as does not exceed the aggregate gain of the first component period shall be reduced under section 93 of the Finance Act 1972, and the reference in subsection (5) of section 79 of the Finance Act 1984 to reduction in accordance with the said section 93 shall be construed accordingly.

(8) As respects the straddling period, for the purposes of—

(a) section 16 of the Oil Taxation Act 1975 (restriction on setting advance corporation tax against income from oil extraction activities),

(b) section 44 of the Finance Act 1987 (limited right to carry back surrendered advance corporation tax), and

(c) section 45(4) of the Finance Act 1987 (surrender of advance corporation tax where oil extraction company etc. owned by a consortium),

any reference to income arising from oil extraction activities or from oil rights shall be taken to include a reference to the aggregate gain (if any) of the second component period, as determined under sub-paragraphs (1) to (4) above.