



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART XII

#### SPECIAL CLASSES OF COMPANIES AND BUSINESSES

#### CHAPTER V

**Modifications etc. (not altering text)**

**C1** Pt. 12 Ch. 5 modified (27.7.1999) by Finance Act 1999 (c. 16), s. 98

#### *PETROLEUM EXTRACTION ACTIVITIES*

**492 Treatment of oil extraction activities etc. for tax purposes.**

(1) Where a person carries on as part of a trade—

- (a) any oil extraction activities; or
- (b) any of the following activities, namely, the acquisition, enjoyment or exploitation of oil rights; or
- (c) activities of both those descriptions,

those activities shall be treated [<sup>F1</sup>for the purposes of the charge of corporation tax on income] as a separate trade, distinct from all other activities carried on by him as part of the trade.

(2) <sup>F2</sup>.....

(3) Relief in respect of a loss incurred by a person shall not be given under section [<sup>F3</sup>393A(1)] against his ring fence profits except to the extent that the loss arises from oil extraction activities or from oil rights.

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[<sup>F4</sup>(3A) No deduction under [<sup>F5</sup>section 1219 of CTA 2009] (expenses of management of investment business) shall be allowed from a company's ring fence profits.]

[<sup>F6</sup>(4) In any case where—

- (a) in any accounting period a company incurs a loss in activities (“separate activities”) which, for that or any subsequent accounting period, are treated by virtue of subsection (1) above as a separate trade for the purposes specified in that subsection, and
- (b) in any subsequent accounting period any of its trading income is derived from activities (“related activities”) which are not part of the separate activities but which, apart from subsection (1) above, would together with those activities constitute a single trade,

then, notwithstanding anything in subsection (1) above, the amount of the loss may be set off, in accordance with section 393(1), against so much of its trading income in any subsequent accounting period as is derived from the related activities.]

- (5) Subject to subsection (7) below, a capital allowance which is to be given to any person by discharge or repayment of tax shall not to any extent be given effect under [<sup>F7</sup>section 258 of the Capital Allowances Act] by deduction from or set off against his ring fence income.
- (6) Subject to subsection (7) below, a capital allowance which is to be given to any person by discharge or repayment of tax shall not to any extent be given effect under [<sup>F8</sup>section 259 or 260 of the Capital Allowances Act] by deduction from or set off against his ring fence profits.
- (7) Subsection (5) or (6) above shall not apply to a capital allowance which falls to be made to a company for any accounting period in respect of an asset used in the relevant accounting period by a company associated with it and so used in carrying on oil extraction activities. For the purposes of this subsection, the relevant accounting period is that in 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 [<sup>F9</sup>section 259 of the Capital Allowances Act]).
- (8) On a claim for group relief made by a claimant company in relation to a surrendering company, group relief shall not be allowed against the claimant company's ring fence profits except to the extent that the claim relates to losses incurred by the surrendering company that arose from oil extraction activities or from oil rights.

#### Textual Amendments

- F1** Words in s. 492(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5)*, **Sch. 1 para. 190(2)** (with Sch. 2)
- F2** S. 492(2) repealed (6.4.2007 with effect in accordance with s. 1034(1) of the repealing Act) by *Income Tax Act 2007 (c. 3)*, **Sch. 1 para. 92(2)**, **Sch. 3 Pt. 1** (with Sch. 2)
- F3** Words in s. 492(3) substituted by *Finance Act 1991 (c. 31, SIF 63:1)*, s. 73(3)(4)(5), **Sch. 15 para. 17**
- F4** S. 492(3A) inserted (with effect in accordance with s. 112(2)-(5) of the amending Act) by *Finance Act 2008 (c. 9)*, s. 112(1)
- F5** Words in s. 492(3A) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by *Corporation Tax Act 2009 (c. 4)*, **Sch. 1 para. 166** (with Sch. 2 Pts. 1, 2)
- F6** S. 492(4) substituted (6.4.2007 with effect in accordance with s. 1034(1) of the amending Act) by *Income Tax Act 2007 (c. 3)*, **Sch. 1 para. 92(3)** (with Sch. 2)

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- F7** Words in s. 492(5) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 41\(1\)](#)
- F8** Words in s. 492(6) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 41\(2\)](#)
- F9** Words in s. 492(7) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 41\(3\)](#)

**Modifications etc. (not altering text)**

- C2** [S. 492\(1\)\(a\)\(b\)](#) applied (6.3.1992 with effect as mentioned in [s. 289\(1\)\(2\)](#) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\), s. 198\(5\)\(b\)](#) (with [ss. 60, 101\(1\), 171, 201\(3\)](#))

**493 Valuation of oil disposed of or appropriated in certain circumstances.**

[<sup>F10</sup>(A1) Where the conditions in subsection (A2) below are met in the case of a disposal of oil by a person, section 2(5A) of the Oil Taxation Act 1975 (“the 1975 Act”) (transportation etc) is to apply in determining the amount which the person 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 the purposes of petroleum revenue tax.

(A2) The conditions are that—

- (a) the oil is oil won from an oil field in the United Kingdom,
- (b) the disposal is a disposal of the oil by the person crude in a sale at arm's length, as defined in paragraph 1 of Schedule 3 to the 1975 Act,
- (c) the circumstances are such that the price received or receivable—
  - (i) falls to be taken into account under section 2(5)(a) of that Act in computing for the purposes of petroleum revenue tax the assessable profit or allowable loss accruing to the person in any chargeable period from the oil field, or
  - (ii) would fall to be so taken into account, had the oil field been a taxable field, as defined in section 185 of the Finance Act 1993,
- (d) the terms of the contract are such as are described in the opening words of section 2(5A) of the 1975 Act,
- (e) apart from subsection (A1) above, the person is not entitled to a transportation allowance in respect of the oil (see subsection (A3)) in computing his ring fence profits,
- (f) the person does not claim a transportation allowance in respect of the oil in computing for the purposes of corporation tax any profits of his that are not ring fence profits.

(A3) In subsection (A2) above “transportation allowance”, in relation to any oil, means any of the following—

- (a) a deduction in respect of the expense of transporting the oil as mentioned in the opening words of section 2(5A) of the 1975 Act,
- (b) a deduction in respect of any costs of or incidental to the transportation of the oil as there mentioned,
- (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 the 1975 Act, if that provision applied for the purposes of corporation tax.]

(1) Where a person disposes of any oil in circumstances such that the market value of that oil <sup>F11</sup> . . . falls to be taken into account under section 2 of [<sup>F12</sup>the 1975 Act], otherwise

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than by virtue of paragraph 6 of Schedule 3 to that Act, in computing for the purposes of petroleum revenue tax the assessable profit or allowable loss accruing to him in any chargeable period from an oil field (or as would so fall but for section 10 of that Act), then—

- (a) for all purposes of income tax, and
- (b) for the purposes of the charge of corporation tax on income,

the disposal of the oil and its acquisition by the person to whom it was disposed of shall be treated as having been for a consideration equal to the market value of the oil as so taken into account under section 2 of that Act (or as would have been so taken into account under that section but for section 10 of that Act).

[<sup>F13</sup>(1A) Where an excess of nominated proceeds in a chargeable period (within the meaning given by section 61 of the Finance Act 1987) is taken into account in computing a person's profits under section 2(5)(e) of the 1975 Act (or would be taken into account if the person were chargeable to tax under that Act in respect of a field)—

- (a) for the purposes of subsection (1) the amount of the excess shall be added to the consideration which the person is deemed to have received in respect of oil disposed of by him in the period, and
- (b) for the purposes of corporation tax, that amount shall be available to the person as a deduction in computing the profits of any trade to which section 492(1) does not apply.]

(2) Where a person makes a relevant appropriation of any oil without disposing of it and does so in circumstances such that the market value of that oil <sup>F14</sup> . . . falls to be taken into account under section 2 of the 1975 Act in computing for the purposes of petroleum revenue tax the assessable profit or allowable loss accruing to him in any chargeable period from an oil field (or would so fall but for section 10 of that Act), then for all the purposes of income tax and for the purposes of the charge of corporation tax on income, he shall be treated—

- (a) as having, at the time of the appropriation—
  - (i) sold the oil in the course of the separate trade consisting of activities [<sup>F15</sup> falling within the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or within section 492(1)(a) or (b) above]; and
  - (ii) bought it in the course of the separate trade consisting of activities not so falling; and
- (b) as having so sold and bought it at a price equal to its market value as so taken into account under section 2 of the 1975 Act (or as would have been so taken into account under that section but for section 10 of that Act).

In this subsection “relevant appropriation” has the meaning given by section 12(1) of the 1975 Act.

(3) Where—

- (a) a person disposes otherwise than in a sale at arm's length (as defined in paragraph 1 of Schedule 3 to the 1975 Act) of oil acquired by him in the course of oil extraction activities carried on by him or by virtue of oil rights held by him, and
- (b) subsection (1) above does not apply in relation to the disposal,

then, for all purposes of income tax and for the purposes of the charge of corporation tax on income, the disposal of the oil and its acquisition by the person to whom it was

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disposed of shall be treated as having been for a consideration equal to the market value of the oil<sup>F16</sup>. . . .

(4) If a person appropriates oil acquired by him in the course of oil extraction activities carried on by him or by virtue of oil rights held by him and the appropriation is to refining or to any use except for production purposes of an oil field, within the meaning of Part I of the 1975 Act, then, unless subsection (2) above applies, for all purposes of income tax and for the purposes of the charge of corporation tax on income—

- (a) he shall be treated as having, at the time of the appropriation, sold and bought the oil as mentioned in subsection (2)(a)(i) and (ii) above; and
- (b) that sale and purchase shall be deemed to have been at a price equal to the market value of the oil<sup>F17</sup>. . . .

[<sup>F18</sup>(5) For the purposes of subsections (3) and (4) above, paragraph 2 of Schedule 3 to the 1975 Act shall apply as it applies for the purposes of Part 1 of that Act, but with the following modifications—

- (a) sub-paragraph (4) shall be treated as omitted;
- (b) any reference in paragraphs 2 and 2A to oil being relevantly appropriated shall be construed as a reference to its being appropriated as mentioned in section 493(4) of the Taxes Act; and
- (c) any reference in paragraph 2 to the notional delivery day for the actual oil shall be construed as a reference to the day on which the oil is disposed of or appropriated as mentioned in subsection (3) or (4) above.]

[<sup>F19</sup>(6) In subsections (3) and (4) above the references to the market value of any oil in the calendar month in which a disposal of the oil was made or, as the case may be, in which it was appropriated shall each have effect in relation to light gases (within the meaning of the 1975 Act) as a reference to the amount which, if paragraph 3A of Schedule 3 to the 1975 Act applied, would be the market value of that oil in relation to the disposal or appropriation in question.]

#### Textual Amendments

- F10** S. 493(A1)-(A3) inserted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 12\(2\)](#)
- F11** Words in s. 493(1) omitted (with effect in accordance with s. 147(1)(2) of the repealing Act) by virtue of [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 12\(3\)\(a\)](#)
- F12** Words in s. 493(1) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 12\(3\)\(b\)](#)
- F13** S. 493(1A) inserted (with effect in accordance with s. 151(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 151\(1\)](#)
- F14** Words in s. 493(2) omitted (with effect in accordance with s. 147(1)(2) of the repealing Act) by virtue of [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 12\(4\)](#)
- F15** Words in s. 493(2)(a)(i) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 191](#) (with [Sch. 2](#))
- F16** Words in s. 493(3) omitted (with effect in accordance with s. 147(1)(2) of the repealing Act) by virtue of [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 12\(5\)](#)
- F17** Words in s. 493(4)(b) omitted (with effect in accordance with s. 147(1)(2) of the repealing Act) by virtue of [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 12\(6\)](#)
- F18** S. 493(5) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 12\(7\)](#)

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**F19** S. 493(6) inserted (with effect in accordance with s. 152(3) of the amending Act) by Finance Act 1998 (c. 36), s. 152(3)

#### 494 [F20] **Loan relationships etc.]**

(1) [F21] . . . [F22][F23]Part 5 of CTA 2009] (loan relationships)] shall have effect subject to the following provisions of this section.

[F24](2) Debits shall not be brought into account for the purposes of [F25]Part 5 of CTA 2009] in respect of any loan relationship of a company in any manner that results in a reduction of what would otherwise be the company’s ring fence profits except—

(a) to the extent that the loan relationship is in respect of money borrowed by the company which has been—

(i) 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

(ii) appropriated to meeting expenditure to be so incurred by the company;

(b) in the case of debits falling to be brought into account by virtue of [F26]section 329] of that Act in respect of a loan relationship that has not been entered into, to the extent that the relationship would have been one entered into for the purpose of borrowing money to be used or appropriated as mentioned in paragraph (a) above; [F27]and]

(c) in the case of debits in respect of [F28]a relationship to which [F29]Chapter 2 of Part 6 (relevant non-lending relationships)] of that Act applies,] to the extent that—

[F30](i) the payment of interest under that relationship is expenditure incurred as mentioned in sub-paragraph (i) of paragraph (a) above; [F31] or

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

as the case may be; [F32] . . .

(d) [F32] . . . . .

In this subsection “debtor relationship” and “creditor relationship” have the same meanings as in [F25]Part 5 of CTA 2009], and references to a loan relationship, in relation to the borrowing of money, do not include references to [F33]any relationship to which [F29]Chapter 2 of Part 6 (relevant non-lending relationships)] of that Act applies].]

Section 839 shall apply for the purposes of this subsection.

[F34][F35] . . . . .]

[F36](2ZA) Credits in respect of exchange gains from a company’s loan relationships shall not be brought into account for the purposes of [F37]Part 5 of CTA 2009] in respect of any loan relationship of a company in any manner that results in an increase of what would otherwise be the company’s ring fence profits, except to the extent that, if the credit had been a debit in respect of an exchange loss from the relationship, it would have been brought into account by virtue of any of paragraphs (a) to (c) of subsection (2) above.]

[F38](2A) Where any debit [F39]or credit]—



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- (a) falls to be brought into account for the purposes of [F40Part 5 of CTA 2009] in respect of any loan relationship of a company, but
- (b) in accordance with subsection (2) [F41or (2ZA)] above cannot be brought into account in a manner that results in any reduction [F42or, as the case may be, increase] of what would otherwise be the company's ring fence profits, then (notwithstanding anything in [F43section 297] of that Act) that debit [F44or credit] shall be brought into account for those purposes as a non-trading debit [F45or, as the case may be, non-trading credit].]

- [F46(2B) F47 .....
- (3) F48 .....
- [F49(4) F50 .....
- (5) F50 .....

#### Textual Amendments

- F20** S. 494 sidenote substituted (with effect in accordance with s. 38(7)-(13) of the amending Act) by virtue of Finance (No. 2) Act 2005 (c. 22), s. 38(5)
- F21** Words in s. 494(1) repealed (with effect in accordance with s. 38 of the repealing Act) by Finance (No. 2) Act 2005 (c. 22), Sch. 11 Pt. 2(7), Note
- F22** Words in s. 494(1) inserted (with effect in accordance with s. 105(1) of the amending Act) by Finance Act 1996 (c. 8), Sch. 14 para. 32(1) (with Sch. 15)
- F23** Words in s. 494(1) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 167(2) (with Sch. 2 Pts. 1, 2)
- F24** Words in s. 494(2) substituted (with effect in accordance with s. 105(1) of the amending Act) by Finance Act 1996 (c. 8), Sch. 14 para. 32(2) (with Sch. 15)
- F25** Words in s. 494(2) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 167(3)(a) (with Sch. 2 Pts. 1, 2)
- F26** Words in s. 494(2)(b) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 167(3)(b) (with Sch. 2 Pts. 1, 2)
- F27** Word at the end of s. 494(2)(b) inserted (with effect in accordance with s. 37 of the amending Act) by Finance Act 2004 (c. 12), Sch. 5 para. 3(2)(a)
- F28** Words in s. 494(2)(c) substituted (with effect in accordance with s. 79(3), Sch. 23 para. 25 of the amending Act) by Finance Act 2002 (c. 23), Sch. 23 para. 17(3)(a) (with s. 81(4)(5))
- F29** Words in s. 494(2) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 167(3)(c) (with Sch. 2 Pts. 1, 2)
- F30** Words in s. 494(2)(c) renumbered as s. 494(2)(c)(i) (with effect in accordance with s. 79(3), Sch. 23 para. 25 of the amending Act) by virtue of Finance Act 2002 (c. 23), Sch. 23 para. 17(3)(b) (with s. 81(4)(5))
- F31** S. 494(2)(c)(ii) and words inserted (with effect in accordance with s. 79(3), Sch. 23 para. 25 of the amending Act) by Finance Act 2002 (c. 23), Sch. 23 para. 17(3)(c) (with s. 81(4)(5))
- F32** S. 494(2)(d) and preceding word repealed (with effect in accordance with s. 37 of the repealing Act) by Finance Act 2004 (c. 12), Sch. 5 para. 3(2)(b), Sch. 42 Pt. 2(1), Note
- F33** Words in s. 494(2) substituted (with effect in accordance with s. 79(3), Sch. 23 para. 25 of the amending Act) by Finance Act 2002 (c. 23), Sch. 23 para. 17(5) (with s. 81(4)(5))
- F34** Words in s. 494(2) inserted (with effect in accordance with s. 79(3), Sch. 23 para. 25 of the amending Act) by Finance Act 2002 (c. 23), Sch. 23 para. 17(6) (with s. 81(4)(5))
- F35** Words in s. 494(2) repealed (with effect in accordance with s. 37 of the repealing Act) by Finance Act 2004 (c. 12), Sch. 5 para. 3(2)(c), Sch. 42 Pt. 2(1), Note

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- F36** S. 494(2ZA) inserted (with effect in accordance with s. 79(3), **Sch. 23 para. 25** of the amending Act) by **Finance Act 2002 (c. 23), Sch. 23 para. 17(7)** (with s. 81(4)(5))
- F37** Words in s. 494(2ZA) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by **Corporation Tax Act 2009 (c. 4), Sch. 1 para. 167(4)** (with Sch. 2 Pts. 1, 2)
- F38** S. 494(2A) inserted (with effect in accordance with s. 105(1) of the amending Act) by **Finance Act 1996 (c. 8), Sch. 14 para. 32(3)** (with Sch. 15)
- F39** Words in s. 494(2A) inserted (with effect in accordance with s. 79(3), **Sch. 23 para. 25** of the amending Act) by **Finance Act 2002 (c. 23), Sch. 23 para. 17(8)(a)** (with s. 81(4)(5))
- F40** Words in s. 494(2A)(a) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by **Corporation Tax Act 2009 (c. 4), Sch. 1 para. 167(5)(a)** (with Sch. 2 Pts. 1, 2)
- F41** Words in s. 494(2A)(b) inserted (with effect in accordance with s. 79(3), **Sch. 23 para. 25** of the amending Act) by **Finance Act 2002 (c. 23), Sch. 23 para. 17(8)(b)(i)** (with s. 81(4)(5))
- F42** Words in s. 494(2A)(b) inserted (with effect in accordance with s. 79(3), **Sch. 23 para. 25** of the amending Act) by **Finance Act 2002 (c. 23), Sch. 23 para. 17(8)(b)(ii)** (with s. 81(4)(5))
- F43** Words in s. 494(2A) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by **Corporation Tax Act 2009 (c. 4), Sch. 1 para. 167(5)(b)** (with Sch. 2 Pts. 1, 2)
- F44** Words in s. 494(2A) inserted (with effect in accordance with s. 79(3), **Sch. 23 para. 25** of the amending Act) by **Finance Act 2002 (c. 23), Sch. 23 para. 17(8)(c)(i)** (with s. 81(4)(5))
- F45** Words in s. 494(2A) inserted (with effect in accordance with s. 79(3), **Sch. 23 para. 25** of the amending Act) by **Finance Act 2002 (c. 23), Sch. 23 para. 17(8)(c)(ii)** (with s. 81(4)(5))
- F46** S. 494(2B) inserted (with effect in accordance with s. 79(3), **Sch. 23 para. 25** of the amending Act) by **Finance Act 2002 (c. 23), Sch. 23 para. 17(9)** (with s. 81(4)(5))
- F47** S. 494(2B) repealed (with effect in accordance with s. 37 of the repealing Act) by **Finance Act 2004 (c. 12), Sch. 5 para. 3(3), Sch. 42 Pt. 2(1)**, Note
- F48** S. 494(3) repealed (with effect in accordance with s. 38 of the repealing Act) by **Finance (No. 2) Act 2005 (c. 22), Sch. 11 Pt. 2(7)**, Note
- F49** S. 494(4)(5) substituted for s. 494(4) (with effect in accordance with s. 105(1) of the amending Act) by **Finance Act 1996 (c. 8), Sch. 14 para. 32(4)** (with Sch. 15)
- F50** S. 494(4)(5) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by **Finance Act 1998 (c. 36), Sch. 27 Pt. 3(4)**, Note

### **[<sup>F51</sup>494A] Sale and lease-back.**

- (1) This section applies where—
- (a) a company (“the seller”) carrying on a trade has disposed of an asset which was used for the purposes of that trade, or an interest in such an asset;
  - (b) 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; and
  - (c) the lessee uses the asset before the end of the period of two years beginning with the disposal.
- (2) Subject to subsection (4) below, subsection (3) below applies to so much (if any) of the expenditure incurred by the lessee under the lease as—
- (a) falls, in accordance with [<sup>F52</sup>generally accepted accounting practice], to be treated in the accounts of the lessee as a finance charge,<sup>F53</sup> . . . [<sup>F54</sup>or
  - (b) <sup>F53</sup> . . . . .
  - <sup>F55</sup>(c) [ falls, if the case is one where the lease is a long funding operating lease, to be deductible in computing the profits of the lessee for the purposes of corporation tax (after first making against any such expenditure any reductions falling to be made by virtue of section 502K).]



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- (3) The expenditure shall not be allowable in computing for the purposes of [<sup>F56</sup>Part 3 of CTA 2009] the profits of the ring fence trade.
- (4) Expenditure shall not be disallowed by virtue of subsection (3) above to the extent that the disposal referred to in subsection (1) above 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.
- (5) Where any expenditure—
- (a) would apart from subsection (3) above be allowable in computing for the purposes of [<sup>F57</sup>Part 3 of CTA 2009] the profits of the ring fence trade for an accounting period, but
  - (b) by virtue of that subsection is not so allowable,
- that expenditure shall be brought into account for the purposes of [<sup>F58</sup>Part 5 of CTA 2009] as if it were a non-trading debit in respect of a loan relationship of the lessee for that accounting period.
- (6) In this section [<sup>F59</sup>—
- “long funding operating lease” means a long funding operating lease for the purposes of Part 2 of the Capital Allowances Act (see section 70YI(1) of that Act);]
  - “lease”, in relation to an asset, has the same meaning as in sections 781 to 784.]

#### Textual Amendments

- F51** S. 494AA inserted (with application in accordance with s. 100(2)(3) of the amending Act) by Finance Act 1999 (c. 16), s. 100(1)
- F52** Words in s. 494AA(2) substituted (24.7.2002) by Finance Act 2002 (c. 23), s. 103(4)(a)
- F53** S. 494AA(2)(b) and preceding word repealed (24.7.2002) by Finance Act 2002 (c. 23), Sch. 40 Pt. 3(16)
- F54** Word at the end of s. 494AA(2)(a) inserted (with effect in accordance with Sch. 9 para. 1(5) of the amending Act) by Finance Act 2006 (c. 25), Sch. 9 para. 1(2)
- F55** S. 494AA(2)(c) inserted (with effect in accordance with Sch. 9 para. 1(5) of the amending Act) by Finance Act 2006 (c. 25), Sch. 9 para. 1(3)
- F56** Words in s. 494AA(3) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 168(2) (with Sch. 2 Pts. 1, 2)
- F57** Words in s. 494AA(5)(a) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 168(3)(a) (with Sch. 2 Pts. 1, 2)
- F58** Words in s. 494AA(5) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 168(3)(b) (with Sch. 2 Pts. 1, 2)
- F59** S. 494AA(6): definition of "long funding operating lease" inserted (with effect in accordance with Sch. 9 para. 1(5) of the amending Act) by Finance Act 2006 (c. 25), Sch. 9 para. 1(4)

#### [<sup>F60</sup>494A] Computation of amount available for surrender by way of group relief.

- (1) In section 403(3) (availability of charges, [<sup>F61</sup>UK property business losses] and management expenses for surrender as group relief) the reference to the gross profits

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of the surrendering company for an accounting period does not include the company's relevant ring fence profits for that period.

- (2) If for that period—
- (a) there are no charges on income paid by the company that are allowable under section 338, <sup>F62</sup> . . .
  - (b) <sup>F62</sup> . . . . .
- all the company's ring fence profits are relevant ring fence profits.
- (3) In any other case the company's relevant ring fence profits are so much of its ring fence profits as exceeds the amount of the charges on income paid by the company as—
- (a) are allowable under section 338 for that period, <sup>F63</sup> . . .
  - (b) <sup>F63</sup> . . . . .]

#### Textual Amendments

- F60** S. 494A inserted (with effect in accordance with s. 38(2)(3) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 5 para. 30** (with Sch. 5 para. 73)
- F61** Words in s. 494A(1) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 169** (with Sch. 2 Pts. 1, 2)
- F62** S. 494A(2)(b) and preceding word repealed (with effect in accordance with s. 38 of the repealing Act) by Finance (No. 2) Act 2005 (c. 22), **Sch. 11 Pt. 2(7)**, Note
- F63** S. 494A(3)(b) and preceding word repealed (with effect in accordance with s. 38 of the repealing Act) by Finance (No. 2) Act 2005 (c. 22), **Sch. 11 Pt. 2(7)**, Note

#### 495 Regional development grants.

- (1) Subsection (2) below applies in any case where—
- (a) 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 the 1975 Act applies (transactions between connected persons and otherwise than at arm's length), and
  - (b) the expenditure incurred by the other person referred to in that paragraph in acquiring, bringing into existence or enhancing the value of the asset as mentioned in that paragraph has been or is to be met by a regional development grant and, in whole or in part, falls to be taken into account [<sup>F64</sup>Part 2 <sup>F65</sup> . . . or 6 of the Capital Allowances Act (capital allowances relating to plant and machinery <sup>F65</sup> . . . or research and development)].
- (2) Where this subsection applies, for the purposes of the charge of income tax or corporation tax on the income arising from those activities of the person referred to in paragraph (a) of subsection (1) above which are treated by virtue of [<sup>F66</sup>section 16(1) of ITTOIA 2005 or section 492(1) above] as a separate trade for those purposes, the expenditure referred to in that paragraph shall be treated as reduced by the amount of the regional development grant referred to in paragraph (b) of that subsection.
- (3) Subsections (4) to (6) below apply where—
- (a) expenditure incurred by any person in relation to an asset in any relevant period (“the initial period”) has been or is to be met by a regional development grant; and
  - (b) notwithstanding the provisions of section 137 of the <sup>M1</sup>Finance Act 1982 and subsections (1) and (2) above, in determining that person's liability to income

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tax or corporation tax for the initial period the whole or some part of that expenditure falls to be taken into account [<sup>F67</sup>Part 2 <sup>F68</sup>. . . or 6 of the Capital Allowances Act]; and

- (c) in a relevant period subsequent to the initial period either expenditure on the asset becomes allowable under section 3 or 4 of the 1975 Act or the proportion of any such expenditure which is allowable is different as compared with the initial period;

and in subsections (4) to (6) below the subsequent relevant period referred to in paragraph (c) above is referred to as “the adjustment period”.

- (4) Where this subsection applies—

- (a) there shall be redetermined for the purposes of subsections (5) and (6) below the amount of the expenditure referred to in subsection (3)(a) above which would have been taken into account as mentioned in subsection (3)(b) if the circumstances referred to in subsection (3)(c) had existed in the initial period; and
- (b) according to whether the amount as so redetermined is greater or less than the amount actually taken into account as mentioned in subsection (3)(b), the difference is in subsections (5) and (6) below referred to as the increase or the reduction in the allowance.

- (5) If there is an increase in the allowance, then, for the purposes of the provisions referred to in subsection (3)(b) above, an amount of capital expenditure equal to the increase shall be deemed to have been incurred by the person concerned in the adjustment period on an extension of or addition to the asset referred to in subsection (3)(a) above.

- (6) If there is a reduction in the allowance, then, for the purpose of determining the liability to income tax or corporation tax of the person concerned, he shall be treated as having received in the adjustment period, as income of the trade in connection with which the expenditure referred to in subsection (3)(a) above was incurred, a sum equal to the amount of the reduction in the allowance.

- (7) In this section—

“regional development grant” [<sup>F69</sup>means a grant falling within section 534(1) of the Capital Allowances Act]; and

“relevant period” means an accounting period of a company or a year of assessment.

#### Textual Amendments

- F64** Words in s. 495(1) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 42\(1\)](#)
- F65** Words in s. 495(1)(b) omitted (with effect in accordance with Sch. 27 para. 30(1) of the repealing Act) by virtue of [Finance Act 2008 \(c. 9\), Sch. 27 para. 21\(a\)](#)
- F66** Words in s. 495(2) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 192 \(with Sch. 2\)](#)
- F67** Words in s. 495(3) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 42\(2\)](#)
- F68** Word in s. 495(3)(b) omitted (with effect in accordance with Sch. 27 para. 30(1) of the repealing Act) by virtue of [Finance Act 2008 \(c. 9\), Sch. 27 para. 21\(b\)](#)
- F69** Words in s. 495(7) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 42\(3\)](#)

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### Marginal Citations

**M1** 1982 c. 39

## 496 [F70 Tariff receipts and tax-exempt tariffing receipts]

- (1) Any sum which—
- (a) constitutes a tariff receipt [F71 or tax-exempt tariffing receipt] of a person who is a participator in an oil field, and
  - (b) constitutes consideration in the nature of income rather than capital, and
  - (c) would not, apart from this subsection, be treated for the purposes of this Chapter as a receipt of the separate trade referred to in [F72 section 16(1) of ITTOIA 2005 or section 492(1) above],
- shall be so treated for those purposes.
- (2) To the extent that they would not otherwise be so treated, the activities of a participator in an oil field or a person connected with him in making available an asset in a way which gives rise to tariff receipts [F73 or tax-exempt tariffing receipts] of the participator shall be treated for the purposes of this Chapter as oil extraction activities.
- (3) In determining for the purposes of subsection (1) above whether any sum constitutes a tariff receipt [F74 or tax-exempt tariffing receipt] of a person who is a participator, no account shall 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 [F75 or tax-exempt tariffing receipt] of the participator,
- but in relation to the person by whom such a sum is actually received, subsection (1) above shall have effect as if he were a participator and as if the condition in paragraph (a) of that subsection were fulfilled.
- (4) References in this section to a person connected with a participator include references to a person with whom the person is associated within the meaning of paragraph 11 of Schedule 2 to M2 the Oil Taxation Act 1983.

### Textual Amendments

- F70** S. 496 sidenote substituted (with effect in accordance with s. 285(7) of the amending Act) by virtue of Finance Act 2004 (c. 12), **Sch. 37 para. 11(5)**
- F71** Words in s. 496(1)(a) inserted (with effect in accordance with s. 285(7) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 37 para. 11(2)**
- F72** Words in s. 496(1)(c) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 193** (with Sch. 2)
- F73** Words in s. 496(2) inserted (with effect in accordance with s. 285(7) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 37 para. 11(3)**
- F74** Words in s. 496(3) inserted (with effect in accordance with s. 285(7) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 37 para. 11(4)(a)**
- F75** Words in s. 496(3)(b) inserted (with effect in accordance with s. 285(7) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 37 para. 11(4)(b)**

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**Marginal Citations**

M2 1983 c. 56.

[<sup>F76</sup> **496A Exploration expenditure supplement**

Schedule 19B to this Act (exploration expenditure supplement) shall have effect.]

**Textual Amendments**

F76 S. 496A inserted (22.7.2004) by [Finance Act 2004 \(c. 12\)](#), s. 286(2)

[<sup>F77</sup> **496B Ring fence expenditure supplement**

Schedule 19C to this Act (ring fence expenditure supplement) shall have effect.]

**Textual Amendments**

F77 S. 496B inserted (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), s. 154(2)

**497 Restriction on setting ACT against income from oil extraction activities etc.**

F78 .....

**Textual Amendments**

F78 S. 497 repealed (with effect in accordance with Sch. 3 para. 29(2) of the repealing Act) by [Finance Act 1998 \(c. 36\)](#), Sch. 3 para. 29(1), [Sch. 27 Pt. 3\(2\)](#), Note

**498 Limited right to carry back surrendered ACT.**

F79 .....

**Textual Amendments**

F79 S. 498 repealed (with effect in accordance with Sch. 3 para. 30(2) of the repealing Act) by [Finance Act 1998 \(c. 36\)](#), Sch. 3 para. 30(1), [Sch. 27 Pt. 3\(2\)](#), Note (with Sch. 3 para. 30(3))

**499 Surrender of ACT where oil extraction company etc. owned by a consortium.**

F80 .....

**Textual Amendments**

F80 S. 499 repealed (with effect in accordance with Sch. 3 para. 31(2) of the repealing Act) by [Finance Act 1998 \(c. 36\)](#), Sch. 3 para. 31(1), [Sch. 27 Pt. 3\(2\)](#), Note

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## **500 Deduction of PRT in computing income for corporation tax purposes.**

- (1) Where a participator in an oil field has paid any petroleum revenue tax with which he was chargeable for a chargeable period, then, in computing for corporation tax the amount of his income arising in the relevant accounting period from oil extraction activities or oil rights, there shall be deducted an amount equal to that petroleum revenue tax.
- (2) There shall be made all such adjustments of assessments to corporation tax as are required in order to give effect to subsection (1) above.
- (3) For the purposes of subsection (1) above, the relevant accounting period, in relation to any petroleum revenue tax paid by a company, is—
  - (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
  - <sup>[F81]</sup>(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 that trade,
 that accounting period.]
- (4) <sup>[F82]</sup>Subject to the following provisions of this section] if some or all of the petroleum revenue tax in respect of which a deduction has been made under subsection (1) above is subsequently repaid, that deduction shall be reduced or extinguished accordingly; and any additional assessment to corporation tax required in order to give effect to this subsection may be made at any time not later than six years after the end of the <sup>[F83]</sup>calendar year] in which the first-mentioned tax was repaid.
- <sup>[F84]</sup>(5) If, in a case where paragraph 17 of Schedule 2 to the 1975 Act applies, an amount of petroleum revenue tax in respect of which a deduction has been made under subsection (1) above is repaid by virtue of an assessment under that Schedule or an amendment of such an assessment, then, so far as concerns so much of that repayment as constitutes the appropriate repayment,—
  - (a) subsection (4) above shall not apply; and
  - (b) the following provisions of this section shall apply in relation to the company which is entitled to the repayment.
- (6) In subsection (5) above and the following provisions of this section—
  - (a) “the appropriate repayment” has the meaning assigned by sub-paragraph (2) of paragraph 17 of Schedule 2 to the 1975 Act;
  - (b) in relation to the appropriate repayment, a “carried back loss” means an allowable loss which falls within sub-paragraph (1)(a) of that paragraph and which (alone or together with one or more other carried back losses) gives rise to the appropriate repayment;
  - (c) in relation to a carried back loss, “the operative chargeable period” means the chargeable period in which the loss accrued; and
  - (d) in relation to the company which is entitled to the appropriate repayment, “the relevant accounting period” <sup>[F85]</sup>means—
    - (i) the accounting period in or at the end of which ends the operative chargeable period, or



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- (ii) if the company ceases to carry on its ring fence trade (or to be within the charge to corporation tax in respect of that trade) before the end of the operative chargeable period, the last accounting period of that trade (or, as the case requires, 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).]
- (7) In computing for corporation tax the amount of the company's income arising in the relevant accounting period from oil extraction activities or oil rights there shall be added an amount equal to the appropriate repayment; but this subsection has effect subject to subsection (8) below in any case where—
- (a) two or more carried back losses give rise to the appropriate repayment; and
  - (b) the operative chargeable period in relation to each of the carried back losses is not the same; and
  - (c) if subsection (6)(d) above were applied separately in relation to each of the carried back losses there would be more than one relevant accounting period.
- (8) Where paragraphs (a) to (c) of subsection (7) above apply, the appropriate repayment shall be treated as apportioned between each of the relevant accounting periods referred to in paragraph (c) of that subsection in such manner as to secure that the amount added by virtue of that subsection 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 the 1975 Act; 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.
- (9) Any additional assessment to corporation tax required in order to give effect to the addition of an amount by virtue of subsection (7) above may be made at any time not later than six years after the end of the calendar year in which is made the repayment of petroleum revenue tax comprising the appropriate repayment.
- (10) In this section “allowable loss” and “chargeable period” have the same meaning as in Part I of the 1975 Act and “calendar year” means a period of twelve months beginning on 1st January.]

#### Textual Amendments

- F81** S. 500(3)(b) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 170(2)** (with Sch. 2 Pts. 1, 2)
- F82** Words in s. 500(4) inserted by Finance Act 1990 (c. 29), **s. 62(1)(a)**
- F83** Words in s. 500(4) substituted by Finance Act 1990 (c. 29), **s. 62(1)(b)**
- F84** S. 500(5)-(10) substituted for s. 500(5) by Finance Act 1990 (c. 29), **s. 62(2)**
- F85** Words in s. 500(6)(d) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 170(3)** (with Sch. 2 Pts. 1, 2)

### 501 Interest on repayment of PRT.

Where any amount of petroleum revenue tax paid by a participator in an oil field is, under any provision of Part I of the 1975 Act, repaid to him with interest, the amount

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of the interest paid to him shall be disregarded in computing the amount of his income for the purposes of corporation tax.

### **[<sup>F86</sup>501A] Supplementary charge in respect of ring fence trades**

- (1) Where in any accounting period beginning on or after 17th April 2002 a company carries on a ring fence trade, a sum equal to [<sup>F87</sup>20 per cent] of its adjusted ring fence profits for that period shall be charged on the company as if it were an amount of corporation tax chargeable on the company.
- (2) A company's adjusted ring fence profits for an accounting period are the amount which, on the assumption mentioned in subsection (3) below, would be determined for that period (in accordance with this Chapter) as the profits of the company's ring fence trade chargeable to corporation tax.
- (3) The assumption is that financing costs are left out of account in computing—
  - (a) the amount of the profits or loss of any ring fence trade of the company's for each accounting period beginning on or after 17th April 2002; and
  - (b) where for any such period the whole or part of any loss relief is surrendered to the company in accordance with section 492(8), the amount of that relief or, as the case may be, that part.
- (4) For the purposes of this section, "financing costs" means the costs of debt finance.
- (5) In calculating the costs of debt finance for an accounting period the matters to be taken into account include—
  - (a) any costs giving rise to debits in respect of debtor relationships of the company under [<sup>F88</sup>Part 5 of CTA 2009] (loan relationships) [<sup>F89</sup>, other than debits in respect of exchange losses from such relationships (see [<sup>F90</sup>section 475] of that Act)];
  - [<sup>F91</sup>(b) any exchange gain or loss from a debtor relationship, within the meaning of [<sup>F92</sup>that Part] (see [<sup>F93</sup>section 475] of that Act), in relation to debt finance;]
  - [<sup>F94</sup>(c) any credit or debit falling to be brought into account [<sup>F95</sup>in accordance with Part 7 of CTA 2009 (derivative contracts)] in relation to debt finance;]
  - (d) the financing cost implicit in a payment under a finance lease;
    - [ where the company is the lessee under a long funding operating lease, the amount deductible in respect of payments under the lease in computing the profits of the lessee for the purposes of corporation tax (after first making against any such amount any reductions falling to be made by virtue of section 502K); and]
  - (e) any other costs arising from what would be considered in accordance with generally accepted accounting practice to be a financing transaction.
- (6) Where an amount representing the whole or part of a payment falling to be made by a company—
  - (a) falls (or would fall) to be treated as a finance charge under a finance lease for the purposes of accounts relating to that company and one or more other companies and prepared in accordance with generally accepted accounting practice, but
  - (b) is not so treated in the accounts of the company,
 the amount shall be treated for the purposes of this section as financing costs falling within subsection (5)(d) above.

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- (7) If—
- (a) in computing the adjusted ring fence profits of a company for an accounting period, an amount falls to be left out of account by virtue of subsection (5) (d) above, but
  - (b) the whole or any part of that amount is repaid,
- the repayment shall also be left out of account in computing the adjusted ring fence profits of the company for any accounting period.
- (8) In this section “finance lease” means any arrangements—
- (a) which provide for an asset to be leased or otherwise made available by a person to another person (“the lessee”), and
  - (b) which, under generally accepted accounting practice,—
    - (i) fall (or would fall) to be treated, in the accounts of the lessee or a person connected with the lessee, as a finance lease or a loan, or
    - (ii) are comprised in arrangements which fall (or would fall) to be so treated.
- (9) For the purposes of applying subsection (8)(b) above, the lessee and any person connected with the lessee are to be treated as being companies which are incorporated in a part of the United Kingdom.
- (10) In this section “accounts”, in relation to a company, includes any accounts which—
- (a) relate to two or more companies of which that company is one, and
  - [<sup>F97</sup>(b) are drawn up in accordance with generally accepted accounting practice.]
- [ In this section “long funding operating lease” means a long funding operating lease for
- <sup>F98</sup>(11) the purposes of Part 2 of the Capital Allowances Act (see section 70YI(1) of that Act).]
- [ This section is subject to Schedule 44 to the Finance Act 2009.]]
- <sup>F99</sup>(12)

#### Textual Amendments

- F86** S. 501A inserted (24.7.2002) by [Finance Act 2002 \(c. 23\)](#), [ss. 91, 93](#)
- F87** Words in s. 501A(1) substituted (with effect in accordance with s. 152(2)(3) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 152\(1\)](#)
- F88** Words in s. 501A(5)(a) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [Sch. 1 para. 171\(a\)](#) (with Sch. 2 Pts. 1, 2)
- F89** Words in s. 501A(5)(a) inserted (with effect in accordance with s. 79(3), [Sch. 23 para. 25](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 23 para. 18\(2\)](#) (with s. 81(4)(5))
- F90** Words in s. 501A(5)(a) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [Sch. 1 para. 171\(a\)](#) (with Sch. 2 Pts. 1, 2)
- F91** S. 501A(5)(b) substituted (with effect in accordance with s. 79(3), [Sch. 23 para. 25](#) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 23 para. 18\(3\)](#) (with s. 81(4)(5))
- F92** Words in s. 501A(5)(b) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [Sch. 1 para. 171\(b\)](#) (with Sch. 2 Pts. 1, 2)
- F93** Words in s. 501A(5)(b) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [Sch. 1 para. 171\(b\)](#) (with Sch. 2 Pts. 1, 2)
- F94** S. 501A(5)(c) substituted (with effect in accordance with s. 83(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), [Sch. 27 para. 8](#) (with Sch. 28)
- F95** Words in s. 501A(5)(c) substituted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [Sch. 1 para. 171\(c\)](#) (with Sch. 2 Pts. 1, 2)

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- F96** S. 501A(5)(dd) substituted for word at the end of s. 501A(5)(d) (with effect in accordance with Sch. 9 para. 2(4) of the amending Act) by Finance Act 2006 (c. 25), Sch. 9 para. 2(2)
- F97** S. 501A(10)(b) substituted (with effect in accordance with s. 80(4) of the amending Act) by Finance Act 2005 (c. 7), Sch. 4 para. 23
- F98** S. 501A(11) inserted (with effect in accordance with Sch. 9 para. 2(4) of the amending Act) by Finance Act 2006 (c. 25), Sch. 9 para. 2(3)
- F99** S. 501A(12) inserted (with effect in accordance with s. 90(3) of the amending Act) by Finance Act 2009 (c. 10), s. 90(2)

## [<sup>F100</sup>501B] Assessment, recovery and postponement of supplementary charge

- (1) Subject to subsection (3) below, the provisions of section 501A(1) relating to the charging of a sum as if it were an amount of corporation tax shall be taken as applying, subject to the provisions of the Taxes Acts, and to any necessary modifications, all enactments applying generally to corporation tax, including—
  - (a) those relating to returns of information and the supply of accounts, statements and reports;
  - (b) those relating to the assessing, collecting and receiving of corporation tax;
  - (c) those conferring or regulating a right of appeal; and
  - (d) those concerning administration, penalties, interest on unpaid tax and priority of tax in cases of insolvency under the law of any part of the United Kingdom.
- (2) Accordingly (but without prejudice to subsection (1) above) the Management Act shall have effect as if any reference to corporation tax included a reference to a sum chargeable under section 501A(1) as if it were an amount of corporation tax.
- (3) In any regulations made under section 32 of the Finance Act 1998 (as at 17th April 2002, the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999)—
  - (a) references to corporation tax do not include a reference to a sum chargeable on a company under section 501A(1) as if it were corporation tax; and
  - (b) references to profits charged to corporation tax do not include a reference to adjusted ring fence profits, within the meaning of section 501A(1).
- (4) In this section “the Taxes Acts” has the same meaning as in the Management Act.]

### Textual Amendments

- F100** S. 501B inserted (24.7.2002) by Finance Act 2002 (c. 23), ss. 92(1), 93

## 502 Interpretation of Chapter V.

- (1) In this Chapter—
  - “the 1975 Act” means the Oil Taxation Act 1975 <sup>M3</sup>;
  - “oil” means any substance won or capable of being won under the authority of a licence granted under either [<sup>F101</sup>Part I of the Petroleum Act 1998] or the <sup>M4</sup>Petroleum (Production) Act (Northern Ireland) 1964, other than methane gas won in the course of operations for making and keeping mines safe;
  - “oil extraction activities” means any activities of a person—

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- (a) in searching for oil in the United Kingdom or a designated area or causing such searching to be carried out for him; or
- (b) in extracting or causing to be extracted for him oil at any place in the United Kingdom or a designated area under rights authorising the extraction and held by him or, if the person in question is a company, by the company or a company associated with it; or
- (c) in transporting or causing to be transported for him <sup>F102</sup> . . . oil extracted at any such place not on dry land under rights authorising the extraction and so held [<sup>F103</sup> where the transportation is—
  - (i) to the place where the oil is first landed in the United Kingdom, or
  - (ii) to the place in the United Kingdom or, in the case of oil first landed in another country, the place in that or any other country (other than the United Kingdom) at which the seller in a sale at arm's length could reasonably be expected to deliver it or, if there is more than one such place, the one nearest to the place of extraction]; or
- (d) in effecting or causing to be effected for him the initial treatment or initial storage of oil won from any oil field under rights authorising its extraction and so held;
  - “oil field” has the same meaning as in Part I of the 1975 Act;
  - “oil rights” means rights to oil to be extracted at any place in the United Kingdom or a designated area, or to interests in or to the benefit of such oil;
  - “participator” has the same meaning as in Part I of the 1975 Act; and
  - “ring fence income” means income arising from oil extraction activities or oil rights; and
  - “ring fence profits” has the [<sup>F104</sup> meaning given by subsection (1A) below] or, in any case where that subsection does not apply, means ring fence income; [<sup>F105</sup> and
  - “ring fence trade” means activities which—
    - (a) fall within [<sup>F106</sup> the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or within section 492(1) above]; and
    - (b) constitute a separate trade (whether by virtue of [<sup>F107</sup> section 16(1) of ITTOIA 2005 or section 492(1) above] or otherwise)].

[<sup>F108</sup>(1A) Where in accordance with section 197(3) of the 1992 Act a person has an aggregate gain for any chargeable period, that gain and his ring fence income (if any) for that period together constitute his ring fence profits for the purposes of this Chapter.]

- (2) For the purposes of subsection (1) above—
  - (a) “designated area” means an area designated by Order in Council under section 1(7) of the <sup>M5</sup>Continental Shelf Act 1964;
  - (b) “initial treatment” has the same meaning as in Part I of the 1975 Act; and
  - (c) the definition of “initial storage” in section 12(1) of the 1975 Act shall apply but, in its application for those purposes in relation to the person mentioned in subsection (1)(d) above and to oil won from any one oil field shall have effect as if the reference to the maximum daily production rate of oil for the field as there mentioned were a reference to that person's share of that maximum daily production rate, that is to say, a share thereof proportionate to his share of the oil won from that field.
- (3) For the purposes of this Chapter two companies are associated with one another if—

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- (a) one is a 51 per cent. subsidiary of the other;
- (b) each is a 51 per cent. subsidiary of a third company; or
- (c) one is owned by a consortium of which the other is a member.

[<sup>F109</sup>(3A) Section 413(6) applies for the purposes of subsection (3)(c) above <sup>F110</sup>. . . .]

- (4) Without prejudice to subsection (3) above, for the purposes of this Chapter, two companies are also associated with one another if one has control of the other or both are under the control of the same person or persons; and in this subsection “control” shall be construed in accordance with section 416.

#### Textual Amendments

- F101** S. 502(1): words in definition of "oil" substituted (15.2.1999) by [Petroleum Act 1998 \(c. 17\)](#), [Sch. 4 para. 25](#), s. 52(4); S.I. 1999/161, [art. 2\(1\)](#)
- F102** S. 502(1): words in definition of "oil extraction activities" repealed (16.7.1992) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), ss. 55(1)(a)(2), 82, [Sch. 18 Pt.VII](#)
- F103** S. 502(1): words in definition of "oil extraction activities" inserted (16.7.1992) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), [s. 55\(1\)\(b\)\(2\)](#)
- F104** S. 502(1): words in definition of "ring fence profits" substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), ss. 289, 290(1), [Sch. 10 para. 14\(30\)](#) (with ss. 60, 101(1), 171(1), 201(3))
- F105** S. 502(1): definition of "ring fence trade" added by [Finance Act 1990 \(c. 29\)](#), [s. 62\(3\)](#)
- F106** S. 502(1): words in definition of "ring fence trade" substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 194\(a\)](#) (with [Sch. 2](#))
- F107** S. 502(1): words in definition of "ring fence trade" substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 194\(b\)](#) (with [Sch. 2](#))
- F108** S. 502(1A) inserted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), ss. 289, 300(1), [Sch. 10 para. 14\(30\)](#) (with ss. 60, 101(1), 171, 201(3))
- F109** S. 502(3A) substituted for words in s. 502(3) (with effect in accordance with [Sch. 27 para. 12\(2\)](#) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 27 para. 9](#)
- F110** Words in s. 502(3A) repealed (22.4.2009) by [Finance Act 2009 \(c. 10\)](#), [Sch. 45 para. 4](#)

#### Marginal Citations

- M3** 1975 c. 22.
- M4** 1964 c. 28 (N.I.)
- M5** 1964 c. 29.



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