

Status: Point in time view as at 19/07/2006.

Changes to legislation: Income and Corporation Taxes Act 1988, Part 2 is up to date with all changes known to be in force on or before 15 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. (See end of Document for details)

SCHEDULES

[^{F1}SCHEDULE 19B

PETROLEUM EXTRACTION ACTIVITIES: EXPLORATION EXPENDITURE SUPPLEMENT

Textual Amendments

F1 Sch. 19B inserted (22.7.2004) by Finance Act 2004 (c. 12), s. 286(3), Sch. 38

PART 2

APPLICATION AND INTERPRETATION

Qualifying companies

- 2 This Schedule applies in relation to any company which—
- (a) carries on a ring fence trade, or
 - (b) is engaged in oil and gas exploration and appraisal (see section 837B) with a view to carrying on a ring fence trade,
- and in this Schedule any such company is referred to as a “qualifying company”.

Accounting periods

- 3 (1) In this Schedule, in the case of any qualifying company,—
- “the commencement period” means the accounting period in which the company sets up and commences its ring fence trade;
 - “post-commencement period” means any accounting period ending on or after 1st January 2004 [^{F2}but before 1st January 2006]—
 - (a) which is the commencement period, or
 - (b) which ends after the commencement period;
 - “pre-commencement period” means any accounting period ending—
 - (a) on or after 1st January 2004 [^{F3}but before 1st January 2006], and
 - (b) before the commencement period.
- (2) For the purposes of this Schedule a company not within the charge to corporation tax which incurs qualifying E&A expenditure is to be treated as having such accounting periods as it would have if—
- (a) it carried on a trade consisting of the activities in respect of which the expenditure is incurred, and
 - (b) it had started to carry on that trade when it started to carry on the research and development on which the expenditure is incurred.

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- [In the case of an accounting period (a “straddling period”) of any qualifying company
- ^{F4}(3) beginning before 1st January 2006 and ending on or after that date—
- (a) so much of the straddling period as falls before 1st January 2006, and
 - (b) so much of the straddling period as falls on or after that date,
- are treated as separate accounting periods for the purposes of this Schedule.
- (4) Special provision is made elsewhere in this Schedule in relation to straddling periods (see paragraphs 16, 18A and 22).]

Textual Amendments

- F2** Words in Sch. 19B para. 3(1) inserted (19.7.2006) by Finance Act 2006 (c. 25), s. 154(5)(a)
- F3** Words in Sch. 19B para. 3(1) inserted (19.7.2006) by Finance Act 2006 (c. 25), s. 154(5)(b)
- F4** Sch. 19B para. 3(3)(4) inserted (19.7.2006) by Finance Act 2006 (c. 25), s. 154(5)(c)

The relevant percentage

- 4 (1) For the purposes of this Schedule, the relevant percentage for any accounting period ending on or after 1st January 2004 is 6%.
- (2) The Treasury may by order vary the percentage for the time being specified in subparagraph (1) for such accounting periods as may be specified in the order.

Limit on number of accounting periods for which supplement may be claimed

- 5 (1) A company may claim supplement under this Schedule in respect of no more than 6 accounting periods.
- (2) The accounting periods in respect of which claims are made need not be consecutive.

Qualifying E&A expenditure

- 6 (1) For the purposes of this Schedule “qualifying E&A expenditure” is any expenditure as respects which the following conditions are satisfied.
- (2) Condition 1 is that the expenditure is incurred on or after 1st January 2004 [^{F5}but before 1st January 2006].
- (3) Condition 2 is that, for the purposes of Part 6 of the Capital Allowances Act, the expenditure is qualifying expenditure incurred on research and development consisting of oil and gas exploration and appraisal (see section 437(2)(b) of that Act).
- (4) Condition 3 is that an allowance under section 441 of that Act is claimed in respect of the expenditure.
- (5) Condition 4 is that the expenditure is incurred in the course of oil extraction activities.
- (6) Condition 5 is that—
- (a) those oil extraction activities are comprised in a ring fence trade, or
 - (b) after incurring the expenditure, the person incurring it sets up and commences a ring fence trade connected with the research and development.

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Textual Amendments

F5 Words in [Sch. 19B para. 6\(2\)](#) inserted (19.7.2006) by [Finance Act 2006 \(c. 25\), s. 154\(6\)](#)

Unrelieved group ring fence profits for accounting periods

- 7
- (1) There is an amount of unrelieved group ring fence profits for an accounting period of a qualifying company (“company Q”) in any case where—
 - (a) the company and any other company (“company X”) are members of the same group of companies, within the meaning given by section 413(3)(a), and
 - (b) company X has an amount of taxable ring fence profits (see paragraph 8) for a corresponding accounting period.
 - (2) An accounting period of company X corresponds to an accounting period of company Q if—
 - (a) it coincides with, or falls wholly within, the accounting period of company Q, or
 - (b) it falls partly within the accounting period of company Q.
 - (3) Where an accounting period of company X—
 - (a) coincides with an accounting period of company Q, or
 - (b) falls wholly within an accounting period of company Q,there is, for the accounting period of company Q, an amount of unrelieved group ring fence profits equal to the whole of company X’s taxable ring fence profits for its accounting period.
 - (4) Where an accounting period of company X falls partly within an accounting period of company Q—
 - (a) there is an amount of unrelieved group ring fence profits for the accounting period of company Q, and
 - (b) that amount is an amount equal to the part of company X’s taxable ring fence profits for its accounting period that is attributable, on an apportionment in accordance with section 834(4), to the part of that period which falls within the accounting period of company Q.
 - (5) This paragraph applies for the purposes of this Schedule.

Taxable ring fence profits of an accounting period

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- For the purposes of this Schedule, a company has taxable ring fence profits for an accounting period if it has an amount of ring fence profits which is chargeable to corporation tax for that accounting period after any group relief claimed under Chapter 4 of Part 10.]

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