

Status: Point in time view as at 06/04/2008.

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SCHEDULES

SCHEDULE 19C **U.K.**

PETROLEUM EXTRACTION ACTIVITIES: RING FENCE EXPENDITURE SUPPLEMENT

PART 2 **U.K.**

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 any activities 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 beginning on or after 1st January 2006—
 - (a) which is the commencement period, or
 - (b) which ends after the commencement period;
 - “pre-commencement period” means any accounting period—
 - (a) beginning on or after 1st January 2006, and
 - (b) ending before the commencement period.
- (2) For the purposes of this Schedule a company not within the charge to corporation tax which incurs any 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 activities in the course of which the expenditure is incurred.
- (3) In the case of an accounting period (a “straddling period”) of any qualifying company 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,

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are treated as separate accounting periods for the purposes of this Schedule.

- (4) But special provision is made elsewhere in this Schedule in relation to straddling periods (see paragraphs 5, 18 and 21(4) to (6)).

The relevant percentage

- 4 (1) For the purposes of this Schedule, the relevant percentage for any accounting period beginning on or after 1st January 2006 is 6%.
- (2) The Treasury may by order vary the percentage for the time being specified in subparagraph (1) above 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.
- (3) A claim for supplement by the company under Schedule 19B (exploration expenditure supplement) in respect of an accounting period is to count for the purposes of this paragraph as a claim for supplement under this Schedule in respect of that accounting period.
- (4) But, if the company makes a claim for supplement under this Schedule in respect of the deemed accounting period, any claim for supplement by the company under Schedule 19B in respect of the Schedule 19B deemed accounting period is to be ignored for the purposes of this paragraph.
- (5) For this purpose—
- “the deemed accounting period” means the deemed accounting period under paragraph 3(3) beginning on 1st January 2006, and
- “the Schedule 19B deemed accounting period” means the deemed accounting period under paragraph 3(3) of Schedule 19B ending before 1st January 2006.

Qualifying pre-commencement expenditure

- 6 (1) For the purposes of this Schedule, expenditure is “qualifying pre-commencement expenditure” if it meets conditions A to D.
- (2) Condition A is that the expenditure is incurred on or after 1st January 2006.
- (3) Condition B is that the expenditure is incurred in the course of oil extraction activities.
- (4) Condition C is that the expenditure is incurred by a person with a view to carrying on a ring fence trade but before the person sets up and commences the ring fence trade.
- (5) Condition D is that the expenditure—

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- (a) is subsequently allowable as a deduction in calculating the profits of the ring fence trade for the commencement period (whether or not any part of it is so allowable for any post-commencement period), or
 - (b) is relevant R&D expenditure incurred by an SME.
- (6) For the purposes of this paragraph, expenditure incurred by a company is “relevant R&D expenditure incurred by an SME” if—
- (a) the company makes an election under paragraph 14 of Schedule 20 to the Finance Act 2000 (R&D tax relief for SMEs: alternative treatment of pre-trading expenditure) in respect of that expenditure, but
 - (b) the company does not make a claim for an R&D tax credit under that Schedule in respect of that expenditure.
- (7) In the case of any qualifying pre-commencement expenditure which is relevant R&D expenditure incurred by an SME, the amount of that expenditure is treated for the purposes of this Schedule as being equal to 150% of its actual amount.
- (8) In the case of any qualifying pre-commencement expenditure which is relevant R&D expenditure incurred by a large company, the amount of that expenditure is treated for the purposes of this Schedule as being equal to 125% of its actual amount.
- (9) For this purpose “relevant R&D expenditure incurred by a large company” means qualifying expenditure within the meaning given by paragraph 11(3) of Schedule 12 to the Finance Act 2002 (R&D tax relief for large companies).

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”) if—
- (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) If 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) If 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

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- (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

- 8 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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