



# Taxation of Chargeable Gains Act 1992

## 1992 CHAPTER 12

### PART VI

COMPANIES, OIL, INSURANCE ETC.

### CHAPTER II

OIL AND MINING INDUSTRIES

*Oil exploration and exploitation*

#### **195 Allowance of certain drilling expenditure etc.**

- (1) On the disposal of a licence, relevant qualifying expenditure incurred by the person making the disposal—
  - (a) in searching for oil anywhere in the licensed area, or
  - (b) in ascertaining the extent or characteristics of any oil-bearing area the whole or part of which lies in the licensed area or what the reserves of oil of any such oil-bearing area are,shall be treated as expenditure falling within section 38(1)(b).
- (2) Expenditure incurred as mentioned in subsection (1) above is relevant expenditure if, and only if—
  - (a) it is expenditure of a capital nature on [<sup>F1</sup>research and development]; and
  - [<sup>F2</sup>(b) either it is expenditure in respect of which the person was entitled to an allowance under section 441 of the Capital Allowances Act (research and development allowances) for a relevant chargeable period which began before the date of the disposal or it would have been such expenditure if the trading condition had been fulfilled, and
  - (c) on the disposal, section 443 of that Act (disposal values) applies in relation to the expenditure or would apply if the trading condition had been fulfilled

*Status: Point in time view as at 08/07/2008.*

*Changes to legislation: Taxation of Chargeable Gains Act 1992, Section 195 is up to date with all changes known to be in force on or before 30 June 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)*

(and the expenditure had accordingly been qualifying expenditure under Part 6 of that Act).]

- (3) In subsection (2) above and subsection (4) below, the expression “if the trading condition had been fulfilled” means, in relation to expenditure of a capital nature on [<sup>F1</sup>research and development], if, after the expenditure was incurred but before the disposal concerned was made, the person incurring the expenditure had set up and commenced a trade connected with that research [<sup>F3</sup>and development]; and in subsection (2)(b) above—

“relevant chargeable period” has the same meaning as in [<sup>F4</sup>section 441 of the Capital Allowances Act]; <sup>F5</sup>...

<sup>F5</sup>.....

- (4) Relevant expenditure is qualifying expenditure only to the extent that it does not exceed the [<sup>F6</sup>disposal value] which, by reason of the disposal—

[<sup>F7</sup>(a) is required to be brought into account under section 443 of the Capital Allowances Act; or

(b) would be required to be so brought into account if the trading condition had been fulfilled (and the expenditure had accordingly been qualifying expenditure under Part 6 of that Act).]

<sup>F8</sup>(5) .....

- (6) Where, on the disposal of a licence, subsection (1) above has effect in relation to any relevant qualifying expenditure [<sup>F9</sup>in respect of which the person had not in fact been entitled to an allowance] as mentioned in subsection (2)(b) above—

(a) no allowance shall be made in respect of that expenditure under [<sup>F10</sup>section 441 of the Capital Allowances Act]; <sup>F11</sup>...

<sup>F11</sup>(b) .....

- (7) Where, on the disposal of a licence which is a part disposal, subsection (1) above has effect in relation to any relevant qualifying expenditure, then, for the purposes of section 42, that expenditure shall be treated as wholly attributable to what is disposed of (and, accordingly, shall not be apportioned as mentioned in that section).

[<sup>F12</sup>(8) In this section “research and development” has the same meaning as in [<sup>F13</sup>Part 6 of the Capital Allowances Act (research and development allowances)].]

#### Textual Amendments

- F1** Words in s. 195(2)(3) substituted (with effect in accordance with s. 68(2) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 19 para. 12\(2\)](#)
- F2** S. 195(2)(b)(c) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 79\(1\)](#)
- F3** Words in s. 195(3) inserted (with effect in accordance with s. 68(2) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 19 para. 12\(3\)](#)
- F4** Words in s. 195(3) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 79\(2\)\(a\)](#)
- F5** Words in s. 195(3) repealed (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 79\(2\)\(b\)](#), [Sch. 4](#)
- F6** Words in s. 195(4) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 79\(3\)](#)
- F7** S. 195(4)(a)(b) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 79\(3\)](#)
- F8** S. 195(5) repealed (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 79\(4\)](#), [Sch. 4](#)
- F9** Words in s. 195(6) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 79\(5\)\(a\)](#)

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- F10** Words in s. 195(6)(a) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(5\)\(b\)](#)
- F11** S. 195(6)(b) and preceding word omitted (22.3.2001) by virtue of [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(5\)\(c\)](#)
- F12** S. 195(8) inserted (with effect in accordance with s. 68(2) of the amending Act) by [Finance Act 2000 \(c. 17\), Sch. 19 para. 12\(4\)](#)
- F13** Words in s. 195(8) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(6\)](#)

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