



# 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*

#### [<sup>F1</sup>198J Oil and gas: reinvestment after pre-trading disposal

- (1) This section applies if a company which is an E&A company makes a disposal of, or of the company's interest in, relevant E&A assets and that disposal is—
  - (a) a disposal of, or of an interest in, a UK licence which relates to an undeveloped area, or
  - (b) a disposal of an asset used in an area covered by a licence under Part 1 of the Petroleum Act 1998 or the Petroleum (Production) Act (Northern Ireland) 1964 which authorises the company to undertake E&A activities.
- (2) If—
  - (a) the consideration which the company obtains for the disposal is applied by the company, within the permitted reinvestment period—
    - (i) on E&A expenditure at a time when the company is an E&A company, or
    - (ii) on oil assets taken into use, and used only, for the purposes of a ring fence trade carried on by it, and
  - (b) the company makes a claim under this subsection in relation to the disposal, any gain accruing to the company on the disposal is not a chargeable gain.

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**Changes to legislation:** Taxation of Chargeable Gains Act 1992, Section 198J is up to date with all changes known to be in force on or before 08 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) View outstanding changes

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- (3) If part only of the amount or value of the consideration for the disposal is applied as described in subsection (2)(a)—
- (a) subsection (2) does not apply, but
  - (b) subsection (4) applies if all of the amount or value of the consideration is so applied except for a part which is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal.
- (4) If the company makes a claim under this subsection in relation to the disposal, the company is to be treated for the purposes of this Act as if the amount of the gain accruing on the disposal were reduced to the amount of the part mentioned in subsection (3)(b) (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain).
- (5) The incurring of expenditure is within “the permitted reinvestment period” if the expenditure is incurred in the period beginning 12 months before and ending 3 years after the disposal, or at such earlier or later time as the Commissioners for Her Majesty's Revenue and Customs may by notice allow.
- (6) Subsections (6), (7), (10) and (11) of section 152 apply for the purposes of this section as they apply for the purposes of section 152, except that—
- (a) in subsection (6) the reference to a trade is to be read as a reference to E&A activities or a ring fence trade,
  - (b) in subsection (7), the reference to the old assets is to be read as a reference to the assets disposed of as mentioned in subsection (1) of this section, and
  - (c) in subsection (7), the references to the trade are to be read as references to the E&A activities.
- (7) In this section—

“E&A activities” means oil and gas exploration and appraisal in the United Kingdom or an area designated by Order in Council under section 1(7) of the Continental Shelf Act 1964;

“E&A company” means a company which carries on E&A activities and does not carry on a ring fence trade;

“E&A expenditure” means expenditure on E&A activities which is treated as such under generally accepted accounting practice;

“oil asset” has the same meaning as in section 198E, and section 198I applies for the purposes of this section as it applies for the purposes of section 198E;

“relevant E&A assets” means assets which—

- (a) are used, and used only, for the purposes of E&A activities carried on by the company throughout the period of ownership, and
- (b) are within the classes of assets listed in section 155 (with references to “the trade” in that section being read as references to the E&A activities);

“ring fence trade” has the meaning given by section 277 of CTA 2010;

“UK licence” means a licence within the meaning of Part 1 of the Oil Taxation Act 1975;

and a reference to a UK licence which relates to an undeveloped area has the same meaning as in section 194 (see section 196).]

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#### Textual Amendments

- F1** Ss. 198J-198L inserted (with effect in accordance with s. 71(2) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [s. 71\(1\)](#)

**Changes to legislation:**

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

- Act applied by [1997 c. 16 Sch. 12 para. 12\(7\)](#)[1314](#)
- Act applied by [2002 c. 23 Sch. 16 para. 48\(1\)\(2\)](#)
- Act construed as one with reg. 37 by [S.I. 2006/575 reg. 37\(2\)](#)
- Act construed as one with reg. 38 by [S.I. 2006/575 reg. 38\(3\)](#)

**Whole provisions yet to be inserted into this Act (including any effects on those provisions):**

- s. 4(10)(11) inserted by [2016 c. 11 s. 15\(4\)](#)
- s. 4(10) words inserted by [2016 c. 24 s. 83\(11\)](#)
- s. 35(3)(d)(xviii) added by [2008 c. 17 Sch. 7 para. 9](#)
- s. 35(3)(d)(xviii) inserted by [2008 c. 18 Sch. 13 para. 46](#)
- s. 35(3)(d)(xviii) repealed by [S.I. 2008/3002 Sch. 1 para. 42](#)[Sch. 3](#) (This amendment comes into force on the day 2008 c. 4, s. 5 comes into force, see art. 1(2). That provision was brought into force on 1.12.2008 by [S.I. 2008/3068](#), art. 2(1)(b))
- s. 104(4)(b)(i) words substituted by [S.I. 1989/469](#), reg. 27(2) (as amended) by [S.I. 1997/1716 reg. 13\(1\)\(b\)](#)
- s. 107(11) words substituted by [S.I. 1989/469](#), reg. 27(2A) (as amended) by [S.I. 1997/1716 reg. 13\(2\)\(b\)](#)
- s. 169S(4A) inserted by [2015 c. 11 s. 43\(2\)](#)
- s. 587B inserted by [2000 c. 17 s. 43\(1\)](#)
- Sch. 5C para. 3(1) modified by [S.I. 2004/2199 reg. 7\(1\)](#)
- Sch. 5C para. 3(6) modified by [S.I. 2004/2199 reg. 7\(2\)](#)
- Sch. 5C para. 5(1) modified by [S.I. 2004/2199 reg. 7\(3\)](#)
- Sch. 5C para. 3 words inserted by [S.I. 2005/3229 reg. 128](#)
- Sch. 5C para. 5 words inserted by [S.I. 2005/3229 reg. 128](#)
- Sch. 5C para. 6 words inserted by [S.I. 2005/3229 reg. 128](#)
- Sch. 5C para. 3(1)(f) words substituted by [2007 c. 3 Sch. 1 para. 347](#)