



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 8

#### OIL ACTIVITIES

#### CHAPTER 7

##### REDUCTION OF SUPPLEMENTARY CHARGE FOR CERTAIN NEW OIL FIELDS

##### *Reduction of adjusted ring fence profits*

#### **333 Reduction of adjusted ring fence profits**

- (1) A company's adjusted ring fence profits for an accounting period are to be reduced by the amount of the company's pool of field allowances for that accounting period (see sections 334 to 336).
- (2) But, if the profits are less than the amount of the pool, the profits are to be reduced to nil.

##### *Pool of field allowances*

#### **334 Company's pool of field allowances**

A company's pool of field allowances for an accounting period ("the relevant accounting period") is—

**P + R**

where—

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P is the amount of the company's pool of field allowances for the previous accounting period that has been carried into the relevant accounting period (see sections 335 and 336), and

R is the aggregate of the amounts of field allowances for new oil fields which the company holds (see sections 337 to 339) that are activated in respect of—

- (a) the relevant accounting period (see sections 340 and 341), and
- (b) reference periods that fall within the relevant accounting period (see sections 342 to 344).

### **335 Carrying part of pool of field allowances into following period**

- (1) This section applies if —
  - (a) a company has a pool of field allowances for an accounting period (“accounting period 1”), and
  - (b) the company's adjusted ring fence profits for accounting period 1 are reduced to nil in accordance with section 333(2).
- (2) A part of the company's pool of field allowances for accounting period 1 is to be carried into the following accounting period (“accounting period 2”).
- (3) The part to be carried into accounting period 2 is—

$$F - P$$

where—

F is the amount of the company's pool of field allowances for accounting period 1, and  
P is the amount of the adjusted ring fence profits for accounting period 1.

### **336 Carrying whole of pool of field allowances into following period**

- (1) This section applies if a company—
  - (a) has a pool of field allowances for an accounting period, but
  - (b) has no adjusted ring fence profits for the accounting period.
- (2) The whole of the company's pool of field allowances for the accounting period is to be carried into the following accounting period.

*Field allowance: when held and unactivated amount*

### **337 Initial licensee to hold a field allowance**

- (1) A company that is an initial licensee in a new oil field is to hold a field allowance for that field as from the beginning of the [<sup>F1</sup>accounting period in which the authorisation day falls].
- (2) The amount of the field allowance which the licensee is to hold at that time is—

$$T \times S$$

where—

T is the amount of the total field allowance for the field (see section 356), and

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S is the share of the equity in the field which the initial licensee has at the beginning of the authorisation day.

#### Textual Amendments

- F1** Words in s. 337(1) substituted (with effect in accordance with s. 63(4) of the amending Act) by [Finance Act 2011 \(c. 11\), s. 63\(1\)](#)

### 338 Holding a field allowance on acquisition of equity share

For provision about holding a field allowance by virtue of the acquisition of a share of the equity in a new oil field, see section 347(2).

### 339 Unactivated amount of field allowance

- (1) This section applies if a company holds a field allowance for a new oil field by virtue of section 337 or 347(2).
- (2) The unactivated amount of that allowance at a particular time (“the relevant time”) is—

$$(R + E) - (A + D)$$

where—

R is the amount of the field allowance which the company held before the relevant time by virtue of section 337 or 347(2),

E is the total amount of the field allowance received before the relevant time by virtue of section 347(1) (company already holding field allowance acquires equity share),

A is the total amount of the field allowance activated in respect of—

- (a) accounting periods ending before the relevant time, or
- (b) reference periods ending before the relevant time, and

D is the total amount of reductions in the field allowance made before the relevant time by virtue of section 346 (company disposes of equity share).

- (3) A company ceases to hold a field allowance for a new oil field if the unactivated amount of that allowance falls to nil.

*No change in equity share: activation of allowance*

### 340 Introduction to section 341

- (1) Section 341 applies to a company in respect of a new oil field and an accounting period if the following conditions are met.
- (2) Condition A is that the company is a licensee in the field for the whole of the accounting period.
- (3) Condition B is that the company's share of the equity in the field is the same during the whole of the accounting period.
- (4) Condition C is that the company holds an unactivated amount of field allowance for the field at the beginning of the accounting period.

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- (5) Condition D is that the company has relevant income from the new oil field in the accounting period.

### 341 Activation of field allowance

- (1) An amount of the company's field allowance for the new oil field is to be activated in respect of the accounting period.
- (2) The amount of the field allowance to be activated is the smallest of the following amounts—
- the relevant activation limit,
  - the company's relevant income from the field in the accounting period, and
  - the unactivated amount of the field allowance which the company holds at the beginning of the accounting period.
- (3) The relevant activation limit is—

$$\frac{T}{5} \times E \times \frac{N}{365}$$

where—

T is the amount of the total field allowance for the field (see section 356),

E is the company's share of the equity in the field during the accounting period, and

N is the number of days in the accounting period.

*Change in equity share: activation of allowance*

### 342 Introduction to sections 343 and 344

- (1) Sections 343 and 344 apply to a company in respect of a new oil field and an accounting period if the following conditions are met.
- (2) Condition A is that the company is a licensee in the field for the whole, or for part, of the accounting period.
- (3) Condition B is that the company's share of the equity in the field is different at different times during the accounting period.
- (4) Condition C is that the company holds an unactivated amount of field allowance for the field at any time during the accounting period.
- (5) Condition D is that the company has relevant income from the field in the accounting period.
- (6) In a case where a company has three or more different shares of the equity in a new oil field during a particular day, sections 343 and 344 (in particular provisions relating to the beginning or end of a day) have effect subject to the necessary modifications.

### 343 Reference periods

- (1) For the purposes of section 344, the accounting period, or (if the company is not a licensee for the whole of the accounting period) the part or parts of the accounting period for which the company is a licensee, is to be divided into reference periods.

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- (2) A reference period is a period of consecutive days that meets the following conditions.
- (3) Condition A is that, at the beginning of each day in the period, the company is a licensee in the new oil field.
- (4) Condition B is that, at the beginning of each day in the period, the company's share of the equity in the field is the same.
- (5) Condition C is that, at the beginning of the first day of the period, the company holds an unactivated amount of field allowance for the field.
- (6) Condition D is that each day in the period falls within the accounting period.

### **344 Activation of field allowance**

- (1) An amount of the company's field allowance for the new oil field is to be activated in respect of each reference period.
- (2) The amount of the field allowance to be activated is the smallest of the following amounts—
  - (a) the relevant activation limit,
  - (b) the company's relevant income from the field in the reference period, and
  - (c) the unactivated amount of the field allowance which the company holds at the beginning of the reference period.
- (3) The relevant activation limit is—

$$\frac{T}{5} \times E \times \frac{R}{365}$$

where—

T is the amount of the total field allowance for the field (see section 356),  
E is the company's share of the equity in the field during the reference period, and  
R is the number of days in the reference period.

- (4) The company's relevant income from the field in the reference period is—

$$I \times \frac{R}{L}$$

where—

I is the company's relevant income from the field in the whole of the accounting period,  
R is the number of days in the reference period, and  
L is the number of days in the accounting period for which the company is a licensee in the new oil field.

*Change in equity share: transfer of field allowance*

### **345 Introduction to sections 346 and 347**

- (1) Sections 346 and 347 apply if the following conditions are met.

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- (2) Condition A is that a company that is a licensee in a new oil field (“the transferor”) disposes of the whole or a part of its share of the equity in the new oil field (and in section 347 each of those to which a share of the equity is disposed of is referred to as “a transferee”).
- (3) Condition B is that, immediately before the disposal, the transferor holds an unactivated amount of field allowance for the new oil field.
- (4) Subsection (5) applies when—
- (a) determining (for the purposes of this section) whether a transferor holds an unactivated amount of field allowance immediately before the disposal (“the relevant time”), and
  - (b) determining (for the purposes of section 346), the unactivated amount of field allowance which a transferor holds at the relevant time;
- but it applies only if an amount of field allowance for the new oil field (“the relevant amount”) has, by virtue of section 344, been activated in respect of the reference period that ends because of the disposal.
- (5) When making the determination, the relevant amount of the field allowance must be treated as having been activated at a time before the relevant time.
- (6) In a case where a company has three or more different shares of the equity in a new oil field during a particular day, sections 346 and 347 (in particular provisions relating to the beginning or end of a day) have effect subject to the necessary modifications.

### **346 Reduction of field allowance if equity disposed of**

- (1) The unactivated amount of the field allowance for the new oil field which the transferor holds immediately before the disposal is to be reduced by the following amount—

$$F \times \frac{E1 - E2}{E1}$$

where—

F is the unactivated amount of the field allowance which the transferor holds immediately before the disposal,

E1 is the transferor's share of the equity in the new oil field immediately before the disposal, and

E2 is the transferor's share of the equity in the new oil field immediately after the disposal.

- (2) This section has effect at the end of the day on which the disposal takes place.

### **347 Acquisition of field allowance if equity acquired**

- (1) If a transferee holds a field allowance for the new oil field immediately before the disposal, the unactivated amount of the field allowance is to be increased by the amount calculated in accordance with subsection (4).
- (2) If a transferee does not hold a field allowance for the new oil field immediately before the disposal, the transferee is to hold a field allowance for the new oil field.

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- (3) The amount of the field allowance which the transferee is to hold is calculated in accordance with subsection (4).
- (4) The amount referred to in subsections (1) and (3) is—

$$R \times \frac{E3}{E1 - E2}$$

where—

R is the amount of the reduction determined in accordance with section 346,  
E3 is the share of the equity in the new oil field that the transferee has acquired from the transferor, and  
E1 and E2 are the same as in section 346.

- (5) This section has effect at the end of the day on which the disposal takes place.

### *Miscellaneous*

#### **348 Adjustments**

- (1) This section applies if there is any alteration in a company's adjusted ring fence profits for an accounting period after this Chapter has had effect in relation to the profits.
- (2) Any necessary adjustments to the operation of this Chapter (whether in relation to the profits or otherwise) are to be made (including any necessary adjustments to the effect of section 333 on the profits or to the calculation of the company's pool of field allowances for a subsequent accounting period).

#### **349 Orders**

- (1) The Commissioners for Her Majesty's Revenue and Customs may by order make provision about the oil fields that are [<sup>F2</sup>additionally-developed oil fields or] qualifying oil fields for the purposes of this Chapter.
  - (2) The Commissioners for Her Majesty's Revenue and Customs may by order make provision about the amount of the total field allowance for any description of [<sup>F3</sup>eligible oil field] (whether or not provision has been made under subsection (1) about that description of [<sup>F3</sup>eligible oil field] ).
- [<sup>F4</sup>(2A) The Commissioners for Her Majesty's Revenue and Customs may by order make provision about the meaning of any term used in this Chapter.]
- [<sup>F5</sup>(3) The provision that may be made by an order under this section includes—
- (a) provision amending this Chapter,
  - (b) provision that has effect in relation to times before the order is made and does not increase any person's liability to tax, and
  - (c) incidental, supplemental, consequential, transitional or saving provision, including provision amending, repealing or revoking any provision made by or under this Act.]
- (4) No order may be made under this section unless a draft of the statutory instrument containing it has been laid before and approved by a resolution of the House of Commons.

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#### Textual Amendments

- F2** Words in s. 349(1) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 22 paras. 14\(2\)](#), 21(2)
- F3** Words in s. 349(2) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 22 paras. 14\(3\)](#), 21(2)
- F4** S. 349(2A) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 22 paras. 14\(4\)](#), 21(2)
- F5** S. 349(3) substituted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 22 paras. 14\(5\)](#), 21(2)

### Interpretation

#### [<sup>F6</sup>349A Additionally-developed oil field”

- (1) In this Chapter an oil field is an “additionally-developed oil field” if—
- (a) a national authority has authorised a project described in an addendum to the consent for development for the oil field, and
  - (b) the project meets such conditions as may be specified in an order made by the Commissioners for Her Majesty's Revenue and Customs.
- (2) In this section—
- “consent for development”, in relation to an oil field, does not include consent which is limited to the purpose of testing the characteristics of an oil-bearing area,
- “development”, in relation to an oil field, means winning oil from the field otherwise than in the course of searching for oil or drilling wells, and
- “national authority” means—
- (a) the Secretary of State, or
  - (b) a Northern Ireland department.
- (3) An order under this section may include provision having effect in relation to times before it is made, provided that it does not increase any person's liability to tax.
- (4) No order may be made under this section unless a draft of the statutory instrument containing it has been laid before and approved by a resolution of the House of Commons.]

#### Textual Amendments

- F6** S. 349A inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), [Sch. 22 paras. 15](#), 21(2)

#### [<sup>F7</sup>350 New oil field”

- (1) In this Chapter “ new oil field ” means an oil field—
- (a) which is a qualifying oil field, and
  - (b) whose development (in whole or in part) is authorised for the first time on or after 22 April 2009.
- (2) If all assets of an oil field which are relevant assets have been decommissioned, there is to be ignored for the purposes of subsection (1)(b) any authorisation in respect of that oil field which occurs before that decommissioning.



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- (3) Sub-paragraphs (2) to (9) of paragraph 7 of Schedule 1 to OTA 1975 apply for the purpose of determining whether relevant assets of an oil field are decommissioned as they apply for the purpose of determining whether qualifying assets of a relevant area are decommissioned.
- (4) For the purposes of this section, an asset is a relevant asset of an oil field if—
- (a) it has at any time been a qualifying asset (within the meaning of the Oil Taxation Act 1983) in relation to any participator in the field, and
  - (b) it has at any time been used for the purpose of winning oil from the field.]

#### Textual Amendments

- F7** S. 350 substituted (with effect in accordance with s. 63(4) of the amending Act) by [Finance Act 2011 \(c. 11\), s. 63\(2\)](#)

### 351 “Authorisation of development of an oil field”

- (1) In this Chapter a reference to authorisation of development of an oil field is a reference to a national authority—
- (a) granting a licensee consent for development for the field,
  - (b) serving on a licensee a programme of development for the field, or
  - (c) approving a programme of development for the field.
- (2) In this section—
- “consent for development”, in relation to an oil field, does not include consent which is limited to the purpose of testing the characteristics of an oil-bearing area,
- “development”, in relation to an oil field, means winning oil from the field otherwise than in the course of searching for oil or drilling wells, and
- “national authority” means—
- (a) the Secretary of State, or
  - (b) a Northern Ireland department.

### 352 “Qualifying oil field”

In this Chapter “qualifying oil field” means an oil field that is, on the authorisation day—

- (a) a small oil field,
- (b) an ultra heavy oil field, or
- (c) an ultra high pressure/high temperature oil field.

### 353 “Small oil field”

- (1) In this Chapter “small oil field” means an oil field which has reserves of oil of 3,500,000 tonnes or less.
- (2) For the purposes of this section and section 356(2)—
- (a) the amount of reserves of oil which an oil field has is to be determined on the authorisation day, and

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- (b) 1,100 cubic metres of gas at a temperature of 15 degrees celsius and pressure of one atmosphere is to be counted as equivalent to one tonne.

### 354 “Ultra heavy oil field”

- (1) In this Chapter “ultra heavy oil field” means an oil field with oil at—
- an API gravity below 18 degrees, and
  - a viscosity of more than 50 centipoise at reservoir temperature and pressure.
- (2) For that purpose API gravity, in relation to oil, is the amount determined by the following calculation—

$$\frac{141.5}{G} - 131.5$$

where G is the specific gravity of the oil at 15.56 degrees celsius.

### 355 “Ultra high pressure/high temperature oil field”

In this Chapter “ultra high pressure/high temperature oil field” means an oil field with oil at—

- a pressure of more than [<sup>F8</sup>862] bar in the reservoir formation, and
- a temperature of more than [<sup>F9</sup>166] degrees celsius in the reservoir formation.

#### Textual Amendments

- F8** Figure in s. 355(a) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Qualifying Oil Fields Order 2010 \(S.I. 2010/1899\)](#), arts. 1(2), **3(a)**
- F9** Figure in s. 355(b) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Qualifying Oil Fields Order 2010 \(S.I. 2010/1899\)](#), arts. 1(2), **3(b)**

### 356 “Total field allowance for a new oil field”

- (1) For the purposes of this Chapter, the total field allowance for a new oil field is—
- in the case of a small oil field, the amount determined in accordance with subsection (2),
  - in the case of an ultra heavy oil field, £800,000,000, and
  - in the cases of an ultra high pressure/high temperature oil field, [<sup>F10</sup>the amount determined in accordance with subsection (3)].
- (2) The total field allowance for a small oil field is—
- if the oil field has reserves of oil of 2,750,000 tonnes or less, £75,000,000, and
  - in any other case (where the oil field has reserves of more than 2,750,000 tonnes but not more than 3,500,000 tonnes), the following amount—

$$£75,000,000 \times \frac{3,500,000 - X}{3,500,000 - 2,750,000}$$

where X is the amount of the reserves of oil (in tonnes) which the oil field has.

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- [<sup>F11</sup>(3) The total field allowance for an ultra high pressure/high temperature oil field is—
- (a) £800,000,000, if the temperature of oil in the reservoir formation is more than 176.67 degrees celsius, and
  - (b) if the temperature of oil in the reservoir formation is more than 166 degrees celsius but not more than 176.67 degrees celsius, the sum of £500,000,000 and an amount calculated as follows—

$$X1067 \times £300,000,000$$

where X is the number of complete hundredths of a degree celsius by which the temperature of oil in the reservoir formation exceeds 166 degrees celsius.]

#### Textual Amendments

- F10** Words in s. 356(1)(c) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Qualifying Oil Fields Order 2010 \(S.I. 2010/1899\)](#), arts. 1(2), **4(2)**
- F11** S. 356(3) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Qualifying Oil Fields Order 2010 \(S.I. 2010/1899\)](#), arts. 1(2), **4(3)**

### 357 Other definitions

In this Chapter—

“adjusted ring fence profits”, in relation to a company and an accounting period, means the adjusted ring fence profits that would (if this Chapter were ignored) be taken into account in calculating the supplementary charge on the company under section 330(1) for the accounting period,

“authorisation day”, in relation to a new oil field, means the day when development of the field is authorised [<sup>F12</sup>as mentioned in section 350(1)(b)],

[<sup>F13</sup>“eligible oil field” means an oil field which is an additionally-developed oil field or a new oil field,]

“initial licensee”, in relation to a new oil field, means a company that is licensee in the field on the authorisation day,

“licensee” has the same meaning as in Part 1 of OTA 1975, and

“relevant income”, in relation to a new oil field and an accounting period of a company, means production income of the company from any oil extraction activities carried on in the field that is taken into account in calculating the company's adjusted ring fence profits for the accounting period.

#### Textual Amendments

- F12** Words in s. 357 inserted (with effect in accordance with s. 63(4) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), s. **63(3)**
- F13** Words in s. 357 inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 22 paras. 16(3)**, 21(2)

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**Changes to legislation:**

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