

*Status: Point in time view as at 26/03/2015.*

*Changes to legislation: Corporation Tax Act 2010, Cross Heading: Cluster area allowance is up to date with all changes known to be in force on or before 06 September 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)*



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 8

#### OIL ACTIVITIES

### [<sup>F1</sup>CHAPTER 9

#### SUPPLEMENTARY CHARGE: CLUSTER AREA ALLOWANCE

#### *[<sup>F1</sup>Cluster area allowance*

#### Textual Amendments

**F1** Pt. 8 Ch. 9 inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 13 para. 2](#)

#### **356JF** Generation of cluster area allowance

- (1) Subsection (2) applies where a company—
  - (a) is a licensee in a licensed area or sub-area which is wholly or partly included in a cluster area, and
  - (b) incurs any relievable investment expenditure on or after 3 December 2014 in relation to the cluster area.

- (2) The company is to hold an amount of allowance equal to 62.5% of the amount of the expenditure.

Allowance held under this Chapter is called “cluster area allowance”.

- (3) For the purposes of this section investment expenditure incurred by a company is “relievable” only if, and so far as, it is incurred for the purposes of oil-related activities (see section 274).

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- (4) Subsections (1) to (3) are subject to section 356JFA (which prevents expenditure on the acquisition of an asset from being relievable in certain circumstances).
- (5) Cluster area allowance is said in this Chapter to be “generated” at the time when the investment expenditure is incurred (see section 356JN) and is referred to as being generated—
  - (a) “by” the company concerned;
  - (b) “in” the cluster area concerned.
- (6) Where—
  - (a) investment expenditure is incurred only partly for the purposes of oil-related activities, or
  - (b) the oil-related activities for the purposes of which investment expenditure is incurred are carried on only partly in relation to a particular cluster area,
 the expenditure is to be attributed to the activities or area concerned on a just and reasonable basis.

### **356JFA Expenditure on acquisition of asset: disqualifying conditions**

- (1) Investment expenditure incurred by a company (“the acquiring company”) on the acquisition of an asset is not relievable expenditure for the purposes of section 356JF if either of the disqualifying conditions in this section applies to the asset.
- (2) The first disqualifying condition is that investment expenditure incurred before the acquisition, by the acquiring company or another company, in acquiring, bringing into existence or enhancing the value of the asset was relievable under section 356JF.
- (3) The second disqualifying condition is that—
  - (a) the asset—
    - (i) is the whole or part of the equity in a licensed area or sub-area, or
    - (ii) is acquired in connection with a transfer to the acquiring company of the whole or part of the equity in a licensed area or sub-area,
  - (b) expenditure was incurred, at any time before the acquisition, by the acquiring company or another company, in acquiring, bringing into existence or enhancing the value of the asset, and
  - (c) any of that expenditure—
    - (i) related to the cluster area, and
    - (ii) would have been relievable under section 356JF if this Chapter had applied to expenditure incurred at that time.
- (4) For the purposes of subsection (3)(a)(ii), it does not matter whether the asset is acquired at the time of the transfer.]

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