

# FINANCE ACT 2012

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## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 184 Schedule 22 Reduction of Supplementary Charge for Certain Oil Fields*

#### Summary

1. [Section 184](#) and Schedule 22 amend the field allowance legislation in Chapter 7 of Part 8 of the Corporation Tax Act 2010 (CTA 2010). The amendments enable the allowance to be extended to fields that have already been developed.

#### Details of the Schedule

2. Paragraph 2 amends section 334 CTA 2010 (which relates to a company's pool of field allowances) so that it applies in the context of 'eligible oil fields' rather than 'new oil fields'. Section references in the rest of this note are to sections of CTA 2010.
3. Paragraph 3(2) replaces the reference to an initial licensee in a new oil field with a reference to a licensee in an additionally-developed oil field or a new oil field on the authorisation day, provides for such a field to be known as an eligible oil field, and makes clear that a company may hold more than one field allowance for a field at the same time.
4. Paragraphs 3(3) and 3(4) make consequential amendments.
5. Paragraph 4 amends section 338 (which makes provision about holding a field allowance by virtue of the acquisition of an equity share in a new oil field) so that it applies in the context of 'an eligible oil field' rather than 'a new oil field'.
6. Paragraph 5 amends section 339 (which makes provision about the unactivated amount of field allowance) so that it applies for an eligible oil field rather than a new oil field.
7. Paragraph 6(1) provides that section 340 (which gives the conditions to be met for section 341 to apply) is amended by the following sub-paragraphs of paragraph 6.
8. Paragraph 6(2) amends section 340(1) so that it refers to 'an eligible oil field' rather than 'a new oil field'.
9. [Paragraph 6\(3\)](#) makes a consequential amendment.
10. [Paragraph 7\(1\)](#) provides that section 341 (which provides for an amount of a company's field allowance for a new oil field to be activated) is amended by the following sub-paragraphs of paragraph 7.
11. [Paragraph 7\(2\)](#) amends section 341(1) so that it refers to 'the eligible oil field' rather than 'the new oil field'.
12. [Paragraph 7\(3\)](#) inserts three new subsections into section 341.
13. New subsection (4) provides that new subsection (5) applies to determine the amount of a company's field allowance for an eligible oil field to be activated where at the time

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when the company began to hold the relevant field allowance the company already held one or more other field allowances for the field.

14. New subsection (5) provides that the amount of the company's relevant income from the field in the accounting period is to be reduced by the amount of any earlier field allowance activated for the accounting period.
15. New subsection (6) provides that where the company began to hold two or more field allowances at the same time it can choose the order in which it is to be regarded as having begun to hold them.
16. [Paragraph 8](#) amends section 342 (which gives the conditions to be met for sections 343 and 344 to apply) so that it refers to 'an eligible oil field' rather than 'a new oil field'.
17. [Paragraph 9](#) amends section 343 (which provides for an accounting period to be divided into reference periods for the purposes of section 344) so that it refers to 'the eligible oil field' rather than 'the new oil field'.
18. [Paragraph 10\(1\)](#) provides that section 344 (which provides for an amount of a company's field allowance for a new oil field to be activated in respect of each reference period) is amended by the following sub-paragraphs of paragraph 10.
19. [Paragraph 10\(2\)](#) amends section 344(1) so that it refers to 'the eligible oil field' rather than 'the new oil field'.
20. [Paragraph 10\(3\)](#) makes a consequential amendment.
21. [Paragraph 10\(4\)](#) inserts three new subsections into section 344.
22. New subsection (5) provides that new subsection (6) applies to determine the amount of a company's field allowance for an eligible oil field to be activated where at the time when the company began to hold the relevant field allowance the company already held one or more other field allowances for the field.
23. New subsection (6) provides that the amount of the company's relevant income from the field in the reference period is to be reduced by the amount of any earlier field allowance activated for the reference period.
24. New subsection (7) provides that where the company began to hold two or more field allowances at the same time it can choose the order in which it is to be regarded as having begun to hold them.
25. [Paragraph 11\(1\)](#) provides that section 345 (which gives the conditions to be met for sections 346 and 347 to apply) is amended by the following sub-paragraphs of paragraph 11.
26. [Paragraph 11\(2\)](#) amends section 345(2) so that it refers to 'an eligible oil field' rather than 'a new oil field' and makes a consequential amendment.
27. [Paragraph 11\(3\)](#) makes consequential amendments.
28. [Paragraph 11\(4\)](#) amends section 345(6) so that it refers to 'an eligible oil field' rather than 'a new oil field'.
29. [Paragraph 12\(1\)](#) provides that section 346 (which provides that the unactivated amount of the field allowance for a new oil field which a transferor holds immediately before a disposal is to be reduced) is amended by the following sub-paragraphs of paragraph 12.
30. [Paragraph 12\(2\)](#) amends section 346(1) so that it refers to 'the eligible oil field' rather than 'the new oil field' in the first place where the latter term is used.
31. [Paragraph 12\(3\)](#) makes consequential amendments.

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32. Paragraph 13(1) provides that section 347 (which provides for a transferee to hold a field allowance or an increased field allowance for a new oil field) is amended by the following sub-paragraphs of paragraph 13.
33. Paragraph 13(2) amends section 347(1) so that it refers to ‘the eligible oil field’ rather than ‘the new oil field’.
34. Paragraph 13(3) amends section 347(2) so that it refers to ‘the eligible oil field’ rather than ‘the new oil field’ in the first place where the latter term is used, and makes a consequential amendment.
35. Paragraph 13(4) makes a consequential amendment.
36. Paragraph 14(1) provides that section 349 (which provides that the Commissioners for Her Majesty’s Revenue and Customs may by order make provision about the oil fields that are qualifying oil fields (section 349(1)), and about the amount of the total field allowance for any description of new oil field (section 349(2)) is amended by the following sub-paragraphs of paragraph 14.
37. Paragraph 14(2) amends section 349(1) to include ‘additionally-developed oil fields’.
38. Paragraph 14(3) amends section 349(2) so that it refers to ‘eligible oil field’ rather than ‘new oil field’.
39. Paragraph 14(4) inserts a new subsection into section 349.
40. New subsection (2A) confers a power to make provision about the meaning of terms used in the Chapter.
41. Paragraph 14(5) replaces subsection (3) of section 349 with a new subsection.
42. New subsection (3) provides that an order under this section may amend Chapter 7, include provision having effect for times before the order is made but only if it does not increase the liability to tax of any person, and include provision of a type specified within paragraph (c) of the new subsection.
43. Paragraph 15 inserts a new section into CTA 2010.
44. New section 349A(1) provides a definition of an ‘additionally-developed oil field’.
45. New section 349A(2) defines ‘consent for development’, ‘development’ and ‘national authority’ for the purposes of new section 349A.
46. New section 349A(3) provides that an order under this section may include provision having effect for times before the order is made provided it does not increase the liability to tax of any person.
47. Paragraph 16(1) provides that section 357 (which provides definitions for the purposes of the field allowance legislation) is amended by the following sub-paragraphs of paragraph 16.
48. Paragraph 16(2) replaces the existing definition of ‘authorisation day’.
49. Paragraph 16(3) inserts a definition of ‘eligible oil field’.
50. Paragraph 16(4) makes a consequential amendment.
51. Paragraph 16(5) amends the definition of ‘relevant income’ to refer to ‘an eligible oil field’ rather than ‘a new oil field’.
52. Paragraphs 17 to 20 make consequential amendments.
53. Paragraph 21(1) provides that the amendments made by paragraphs 14, 15 and 16(3) come into force on the day on which this Act is passed.

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54. Paragraph 21(2) provides that the other amendments made by the Schedule come into force in accordance with provision contained in an order made by the Treasury.
55. Paragraph 21(3) provides that an order made under subparagraph (2) may make different provision for different purposes and may provide for amendments which come into force in accordance with an order under that subparagraph to have effect for times before the order is made.
56. Paragraph 22(1) provides that the Commissioners for Her Majesty's Revenue and Customs may by order make any provision of a type specified within the subparagraph in consequence of the amendments made by the Schedule.
57. Paragraph 22(2) provides that an order under paragraph 22 may amend, repeal or revoke any provision made by or under CTA 2010 and may include provision having effect for times before the order is made, provided it does not increase the liability to tax of any person.

**Background Note**

58. The field allowance reduces the amount of profits subject to the Supplementary Charge where fields meet specific criteria. The allowance is currently available only for new oil fields. A new oil field is an oil field which is a qualifying oil field (by virtue of satisfying certain criteria) and whose development is authorised for the first time on or after 22 April 2009.
59. The Government recognises the importance of securing ongoing investment in existing North Sea fields and infrastructure. At Budget 2012 the Government therefore announced that it would introduce legislation to amend the scope of the field allowance, giving it the power to make an allowance available to fields whose development has previously been authorised.
60. The Government will engage further with industry on how such an allowance could be structured to facilitate investment while protecting Exchequer revenues. This section and Schedule make the necessary changes to CTA 2010 so that an allowance can be introduced by secondary legislation at a later date.