



Corporation Tax Act 2010

2010 CHAPTER 4

PART 8

OIL ACTIVITIES

[^{F1}CHAPTER 6A

SUPPLEMENTARY CHARGE: INVESTMENT ALLOWANCE

Textual Amendments

- F1** Pt. 8 Ch. 6A inserted (with effect in accordance with Sch. 12 para. 5 7 8 of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 12 para. 2](#)

Modifications etc. (not altering text)

- C1** Pt. 8 Ch. 6A restricted (26.3.2015) by [Finance Act 2015 \(c. 11\), Sch. 13 para. 6\(2\)](#)

Introduction

332A Overview

- (1) This Chapter sets out how relief for certain expenditure incurred in relation to a qualifying oil field is given by way of reduction of a company's adjusted ring fence profits.
- (2) The Chapter includes provision about—
 - (a) the oil fields that are qualifying oil fields (section 332B);
 - (b) the expenditure that is investment expenditure (section 332BA);
 - (c) the generation of allowance by the incurring of relievable investment expenditure in relation to a qualifying oil field (sections 332C and 332CA);
 - (d) restrictions on the expenditure that is relievable (sections 332D to 332DC);

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- (e) how allowance is activated by relevant income from the same oil field (sections 332F to 332FC and 332H to 332HB) in order to be available for reducing adjusted ring fence profits (sections 332E and 332EA);
 - (f) the division of an accounting period into reference periods where a company has different shares of the equity in a qualifying oil field at different times in the period (section 332G);
 - (g) the transfer of allowance where shares of the equity in a qualifying oil field are disposed of (sections 332I to 332IB).
- (3) For provision about the conversion of field allowance under Chapter 7 (as it had effect before 1 April 2015) into allowance under this Chapter, see paragraphs 7 and 8 of Schedule 12 to FA 2015.

“Qualifying oil field” and “investment expenditure”

332B Meaning of “qualifying oil field”

In this Chapter “qualifying oil field” means an oil field that is not wholly or partly included in a cluster area (see section 356JD).

332BA Meaning of “investment expenditure”

- (1) For the purposes of this Chapter, expenditure incurred by a company is “investment” expenditure only if it is—
 - (a) capital expenditure, or
 - (b) expenditure of such other description as may be prescribed by the Treasury by regulations.
- (2) Regulations under subsection (1)(b) may provide for any of the provisions of the regulations to have effect in relation to expenditure incurred before the regulations are made.
- (3) But subsection (2) does not apply to any provision of amending or revoking regulations which has the effect that expenditure of any description ceases to be investment expenditure.
- (4) Regulations under subsection (1)(b) may—
 - (a) make different provision for different purposes;
 - (b) make transitional provision and savings.

Investment allowance

332C Generation of investment allowance

- (1) Subsection (2) applies where a company—
 - (a) is a participator in a qualifying oil field, and
 - (b) incurs any relievable investment expenditure on or after 1 April 2015 in relation to the oil field.
- (2) The company is to hold an amount of allowance equal to 62.5% of the amount of the expenditure.

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Allowance held under this Chapter is called “investment 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).
- (4) Subsections (1) to (3) are subject to—
 - (a) section 332D (which prevents expenditure on the acquisition of an asset from being relievable in certain circumstances),
 - (b) section 332DA (which restricts relievable expenditure in relation to an oil field that previously qualified for a field allowance under Chapter 7 as a new oil field),
 - (c) section 332DB (which restricts relievable expenditure in relation to a project by reference to which an oil field previously qualified for a field allowance under Chapter 7 as an additionally-developed oil field), and
 - (d) section 332DC (which prevents certain expenditure from being relievable if it relates to an oil field in respect of which onshore allowance may be obtained under Chapter 8).
- (5) Investment allowance is said in this Chapter to be “generated” at the time when the investment expenditure is incurred (see section 332K) and is referred to as being generated—
 - (a) “by” the company concerned;
 - (b) “in” the qualifying oil field 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 qualifying oil field,

the expenditure is to be attributed to the activities or field concerned on a just and reasonable basis.

332CA Expenditure incurred before field is determined

- (1) This section applies to expenditure incurred by a company on or after 1 April 2015 for the purposes of oil-related activities if or to the extent that the following conditions are met.
- (2) The conditions are—
 - (a) that the expenditure was in respect of an area,
 - (b) that, at the time the expenditure was incurred, the area had not been determined under Schedule 1 to OTA 1975 to be an oil field,
 - (c) that the area is subsequently determined under that Schedule to be an oil field, and
 - (d) that the company is a licensee in the oil field.
- (3) Where this section applies in relation to an amount of expenditure, that amount is treated for the purposes of this Chapter as incurred by the company—
 - (a) in relation to the oil field, and

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- (b) at the time when the area is determined under Schedule 1 to OTA 1975 to be an oil field.

Restrictions on relieviable expenditure

332D Expenditure on acquisition of asset: disqualifying conditions

- (1) Investment expenditure incurred by a company (“the acquiring company”) on the acquisition of an asset [^{F2}“the acquisition concerned”] is not relieviable expenditure for the purposes of section 332C 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 [^{F3}acquisition concerned,] by the acquiring company or another company, in acquiring, [^{F4}leasing,] bringing into existence or enhancing the value of the asset was relieviable under section 332C.
- (3) The second disqualifying condition is that—
- (a) the asset—
 - (i) is the whole or part of the equity in a qualifying oil field, or
 - (ii) is acquired in connection with a transfer to the acquiring company of the whole or part of the equity in a qualifying oil field,
 - (b) expenditure was incurred before the [^{F5}acquisition concerned,] by the acquiring company or another company, in acquiring, [^{F6}leasing,] bringing into existence or enhancing the value of the asset, and
 - (c) any of that expenditure—
 - (i) related to the qualifying oil field, and
 - (ii) would have been relieviable under section 332C if this Chapter had been fully in force and 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.
- [^{F7}(5) In subsection (3)(c) “this Chapter” means the provisions of this Chapter, and of any regulations made under this Chapter, as those provisions have effect at the time when the investment expenditure mentioned in subsection (1) is incurred.
- (6) Subsections (7) and (8) apply where investment expenditure mentioned in subsection (1) would, in the absence of this section, be relieviable under section 332C by reason of section 332CA (treatment of expenditure incurred before field is determined).
- (7) Where this subsection applies—
- (a) subsection (2) is to be read as if after “was” there were inserted “, or has become, ”, and
 - (b) in determining for the purposes of subsection (2) or (3)(b) whether particular expenditure was incurred “before” the acquisition concerned—
 - (i) paragraph (b) of section 332CA(3) is to be ignored, and
 - (ii) accordingly, that expenditure is to be taken (for the purposes of determining whether it was incurred before the acquisition concerned) to have been incurred when it was actually incurred.

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- (8) Where this subsection applies, in determining whether the second disqualifying condition applies to the asset—
- (a) the reference in subsection (3)(a)(i) to a qualifying oil field is to be read as including an area which, at the time of the acquisition concerned, had not been determined to be an oil field but which has subsequently become a qualifying oil field,
 - (b) the reference in subsection (3)(a)(ii) to a qualifying oil field is to be read as including an area which, at the time of the transfer, had not been determined to be an oil field but which has subsequently become a qualifying oil field,
 - (c) the reference in subsection (3)(c)(i) to “the qualifying oil field” is to be read accordingly, and
 - (d) the following sub-paragraph is to be treated as substituted for subsection (3)(c)(ii)—
 - “(ii) would have been relievable under section 332C if this Chapter had been fully in force and had applied to expenditure incurred at the time when that expenditure was actually incurred and the area in question had been a qualifying oil field at that time.”
- (9) In subsection (8)(a) and (b) “determined” means determined under Schedule 1 to OTA 1975.
- (10) In this section any reference to expenditure which was incurred by a company in “leasing” an asset is to expenditure incurred by the company under an agreement under which the asset was leased to the company.]

Textual Amendments

- F2** Words in s. 332D(1) inserted (with effect in accordance with s. 59(6) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 59\(2\)](#)
- F3** Words in s. 332D(2) substituted (with effect in accordance with s. 59(6) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 59\(3\)\(a\)](#)
- F4** Word in s. 332D(2) inserted (with effect in accordance with s. 59(6) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 59\(3\)\(b\)](#)
- F5** Words in s. 332D(3)(b) substituted (with effect in accordance with s. 59(6) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 59\(4\)\(a\)](#)
- F6** Word in s. 332D(3)(b) inserted (with effect in accordance with s. 59(6) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 59\(4\)\(b\)](#)
- F7** S. 332D(5)-(10) inserted (with effect in accordance with s. 59(6) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 59\(5\)](#)

332DA Restriction where field qualified for field allowance as new field

- (1) This section applies to expenditure which—
- (a) is incurred by a company in relation to an oil field that was for the purposes of Chapter 7 a new oil field with an authorisation day before 1 January 2016,
 - (b) would in the absence of this section be relievable under section 332C, and
 - (c) is not excluded from this section by—
 - (i) subsection (5) (material completion),
 - (ii) subsection (7) (company without share of equity), or

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(iii) subsection (8) (additionally-developed oil fields).

In the following provisions of this section, expenditure to which this section applies is referred to as “relevant expenditure”.

- (2) Relevant expenditure incurred by a company on any day (“the relevant day”) is not relievable expenditure for the purposes of section 332C except—
- (a) if immediately before the relevant day the cumulative total of relevant expenditure attributable to the company's share of the equity in the oil field (see subsection (3)) exceeds the relevant field threshold (see subsection (4)), or
 - (b) to the extent that, in a case not within paragraph (a), the amount of relevant expenditure incurred on the relevant day, when added to that cumulative total, exceeds the relevant field threshold.
- (3) The “cumulative total of relevant expenditure attributable to the company's share of the equity in the oil field” at any time is the total amount of relevant expenditure which is incurred by the company during the period beginning with the start date and ending with that time, but this is subject to sections 332IA(3) and 332IB(4) (which relate to the disposal and acquisition of equity in an oil field).

In this subsection “the start date” means 1 April 2015 or, if later, the authorisation day (within the meaning of Chapter 7) for the field.

- (4) The “relevant field threshold” is an amount given by the formula—

$$160\% \times F \times E$$

where—

F is the total field allowance for the oil field, as originally determined under section 356 for the purposes of Chapter 7;

E is the company's share of the equity in the oil field at the end of the relevant day.

- (5) This section does not apply to expenditure which is incurred on or after the day determined by the [^{F8}relevant national authority] as that on which the relevant project was materially completed.

[^{F9}(5A) The relevant national authority” is—

- (a) where the relevant project relates to a field that is wholly within the Welsh onshore area (as defined in section 8A of the Petroleum Act 1998), the Welsh Ministers;
- (b) otherwise, the OGA.]

- (6) “The relevant project” means—

- (a) in a case that fell within section 351(1)(a), the development described in the field development plan for the field, and

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- (b) in a case that fell within section 351(1)(b) or (c), the programme of development for the field.
- (7) This section does not apply to expenditure incurred by a company if—
- (a) at the time when the expenditure is incurred, the company is not a licensee in the oil field, and
 - (b) the expenditure is incurred in making an asset available in a way which gives rise to tariff receipts (as defined by section 15(3) of the Oil Taxation Act 1983) or tax-exempt tariffing receipts (as defined by section 6A(2) of that Act).
- (8) This section does not apply to expenditure to which section 332DB applies.

Textual Amendments

- F8** Words in s. 332DA(5) substituted (1.10.2018) by Wales Act 2017 (c. 4), s. 71(4), Sch. 6 para. 25(2) (with Sch. 7 paras. 1, 6); S.I. 2017/1179, reg. 4(b)
- F9** S. 332DA(5A) inserted (1.10.2018) by Wales Act 2017 (c. 4), s. 71(4), Sch. 6 para. 25(3) (with Sch. 7 paras. 1, 6); S.I. 2017/1179, reg. 4(b)

332DB Restriction where project in additionally-developed field qualified for field allowance

- (1) This section applies to expenditure which—
- (a) is incurred by a company in relation to a project by reference to which an oil field was immediately before 1 April 2015 an additionally-developed oil field for the purposes of Chapter 7,
 - (b) would in the absence of this section be relievable under section 332C, and
 - (c) is not excluded from this section by subsection (5) (material completion) or subsection (6) (company without share of project-related reserves).

In the following provisions of this section, expenditure to which this section applies is referred to as “relevant expenditure”.

- (2) Relevant expenditure incurred by a company in relation to a project on any day (“the relevant day”) is not relievable expenditure for the purposes of section 332C except—
- (a) if immediately before the relevant day the cumulative total of relevant expenditure attributable to the company's share of project-related reserves (see subsection (3)) exceeds the relevant project threshold (see subsection (4)), or
 - (b) to the extent that, in a case not within paragraph (a), the amount of relevant expenditure incurred on the relevant day, when added to that cumulative total, exceeds the relevant project threshold.
- (3) The “cumulative total of relevant expenditure attributable to the company's share of project-related reserves” at any time is the total amount of relevant expenditure which is incurred by the company during the period beginning with 1 April 2015 and ending with that time, but this is subject to sections 332IA(5) and 332IB(6) (which relate to the disposal and acquisition of shares in project-related reserves).
- (4) The “relevant project threshold” is an amount given by the formula—

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$$160\% \times F \times E$$

where—

F is the total field allowance for the oil field in relation to the project, as originally determined under section 356A for the purposes of Chapter 7;

E is the company's share of project-related reserves at the end of the relevant day.

- (5) This section does not apply to expenditure which is incurred on or after the day determined by the [F10 OGA] as that on which the project was materially completed.
- (6) This section does not apply to expenditure incurred by a company if—
- (a) the company does not, at the time when the expenditure is incurred, hold a share of project-related reserves, and
 - (b) the expenditure is incurred in making an asset available in a way which gives rise to tariff receipts (as defined by section 15(3) of the Oil Taxation Act 1983) or tax-exempt tariffing receipts (as defined by section 6A(2) of that Act).
- (7) In this section “project-related reserves”, in relation to a project and an oil field, means the additional reserves of oil that the oil field has as a result of the project.

Textual Amendments

F10 Word in s. 332DB(5) substituted (1.10.2016) by [The Petroleum \(Transfer of Functions\) Regulations 2016 \(S.I. 2016/898\)](#), regs. 1(2), **15(4)**

332DC Restriction relating to fields qualifying for onshore allowance

- (1) This section applies to investment expenditure which is incurred—
- (a) for the purposes of onshore oil-related activities in respect of an oil field which is a qualifying site within the meaning of section 356C (generation of onshore allowance), and
 - (b) on a day at the beginning of which neither of the disqualifying conditions in section 356CA (disqualifying conditions for section 356C(4)(b)) is met.
- (2) Expenditure to which this section applies is not relievable expenditure for the purposes of section 332C.
- (3) In this section “onshore oil-related activities” has the same meaning as in Chapter 8 (see section 356BA).

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Reduction of adjusted ring fence profits

332E Reduction of adjusted ring fence profits

- (1) A company's adjusted ring fence profits for an accounting period are to be reduced by the cumulative total amount of activated allowance for the accounting period (but are not to be reduced below zero).
- (2) In relation to a company and an accounting period, the “cumulative total amount of activated allowance” is—

$$A + C$$

where—

A is the total of any amounts of activated allowance the company has, for any qualifying oil fields, for the accounting period (see section 332F(2)) or for reference periods within the accounting period (see section 332H(1)), and

C is any amount carried forward to the period under section 332EA.

332EA Carrying forward of activated allowance

- (1) This section applies where, in the case of a company and an accounting period, the cumulative total amount of activated allowance (see section 332E(2)) is greater than the adjusted ring fence profits.
- (2) The difference is carried forward to the next accounting period.

Activated and unactivated allowance: basic calculation rules

332F Activation of allowance: no change of equity share

- (1) This section applies where—
 - (a) for the whole or part of an accounting period, a company is a licensee in a qualifying oil field,
 - (b) the accounting period is not divided into reference periods (see section 332G),
 - (c) the company holds, for the accounting period and the qualifying oil field, a closing balance of unactivated allowance (see section 332FA) which is greater than zero, and
 - (d) the company has relevant income from the qualifying oil field for the accounting period.
- (2) The amount of activated allowance the company has for that accounting period and that qualifying oil field is the smallest of—
 - (a) the closing balance of unactivated allowance held for the accounting period and the oil field;
 - (b) ^[F11]the total amount of] the company's relevant income from that oil field for that accounting period;

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- (c) in a case where section 332FB applies, the relevant activation limit for the accounting period and the oil field (see subsection (2) of that section).
- [^{F12}(3) For the purposes of this Chapter, income is relevant income of a company from a qualifying oil field for an accounting period if it is—
- (a) production income of the company from any oil extraction activities carried on in that oil field that is taken into account in calculating the company's adjusted ring fence profits for the accounting period, or
 - (b) income that—
 - (i) is income of such description (whether or not relating to the oil field) as may be prescribed by the Treasury by regulations, and
 - (ii) is taken into account as mentioned in paragraph (a).
- (4) The Treasury may by regulations make such amendments of this Chapter as the Treasury consider appropriate in consequence of, or in connection with, any provision contained in regulations under subsection (3)(b).
- (5) Regulations under subsection (3)(b) or (4) may provide for any of the provisions of the regulations to have effect in relation to accounting periods ending before (or current when) the regulations are made.
- (6) But subsection (5) does not apply to—
- (a) any provision of amending or revoking regulations under subsection (3)(b) which has the effect that income of any description is to cease to be treated as relevant income of a company from a qualifying oil field for an accounting period, or
 - (b) provision made under subsection (4) in consequence of or in connection with provision within paragraph (a).
- (7) Regulations under this section may make transitional provision or savings.
- (8) Regulations under this section may not be made unless a draft of the instrument containing them has been laid before, and approved by a resolution of, the House of Commons.]
- [Where a tariff receipt of the company relates only partly to the oil field mentioned in
- ^{F13}(9) subsection (1), for the purposes of subsection (3)(b) the tariff receipt is to be attributed to the oil field on a just and reasonable basis.
- (10) If the company has entered into any arrangements the purpose, or one of the main purposes of which is—
- (a) to cause income to fall within subsection (3)(b), or
 - (b) to advance the time at which any income falls within that provision,
- any income arising in connection with the arrangement is not regarded as a tariff receipt for the purposes of subsection (3)(b).
- (11) In subsection (10) “arrangement” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).]

Textual Amendments

F11 Words in s. 332F(2)(b) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\), s. 60\(2\)](#)

F12 Ss. 332F(3)-(8) substituted for s. 332F(3) (15.9.2016) by [Finance Act 2016 \(c. 24\), s. 60\(3\)](#)

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F13 Ss. 332F(9)-(11) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Investment Allowance and Cluster Area Allowance \(Relevant Income Tariff Receipts\) Regulations 2019 \(S.I. 2019/63\)](#), regs. 1(1), 4(2)

332FA The closing balance of unactivated allowance for an accounting period

The closing balance of unactivated allowance held by a company for an accounting period and a qualifying oil field is—

$$P + Q$$

where—

P is the amount of investment allowance generated by the company in the qualifying oil field in the accounting period (including any amount treated under section 332IB(1) as generated by the company in that field in that accounting period);

Q is any amount carried forward from an immediately preceding accounting period under section 332FC(1) or from an immediately preceding reference period under section 332HB(1).

332FB Activation limit for former additionally-developed fields

- (1) This section applies to a company for an accounting period in relation to an oil field if—
 - (a) immediately before 1 April 2015 the oil field was an additionally-developed oil field for the purposes of Chapter 7 as a result of a project that fell within section 349A(1), and
 - (b) the project is not an excluded project (see subsection (3)).
- (2) For the purposes of section 332F(2)(c), the “relevant activation limit” for the accounting period and the oil field is the amount that would be the closing balance of unactivated allowance held by the company for the accounting period if paragraph 7(3) of Schedule 12 to FA 2015 (conversion of unactivated field allowance) had never applied to any allowance attributable to the project.
- (3) The project is an “excluded” project if condition A or condition B is met.
- (4) Condition A is that—
 - (a) a substantial amount of work has been done in relation to the project, and
 - (b) the accounting period begins on or after the first day of the year of expected first production for the project.
- (5) The “year of expected first production” for the project is the year that was notified to the Secretary of State, on or before the day on which the project was authorised by the Secretary of State, as the calendar year in which additional reserves of oil were expected to be first won from the field as a result of the project.
- (6) Condition B is that the accounting period begins on or after the day determined under section 332DB(5) as that on which the project was materially completed.

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332FC Carrying forward of unactivated allowance

- (1) If, in the case of an accounting period of a company and a qualifying oil field, the amount given by subsection (2) is greater than zero, that amount is treated as investment allowance held by the company for that oil field for the next period (and is treated as held with effect from the beginning of that period).
- (2) The amount is—

$$U - A - T$$

where—

U is the closing balance of unactivated allowance held for the accounting period and the qualifying oil field (see section 332FA);

A is the amount of activated allowance that the company has for the accounting period and the qualifying oil field (see section 332F(2));

T is any amount that is required by section 332IA(1) (reduction of allowance if equity disposed of) to be deducted in connection with a disposal or disposals made on the day following the end of the accounting period.

- (3) If the accounting period is followed by a reference period of the company belonging to that qualifying oil field (see section 332G), “the next period” means that period.
- (4) If subsection (3) does not apply “the next period” means the next accounting period of the company.

Changes in equity share: reference periods

332G Reference periods

- (1) This section applies where—
- (a) a company is a licensee in a qualifying oil field for the whole or part of an accounting period, and
 - (b) the company has different shares of the equity in the field on different days in the accounting period.
- (2) For the purposes of this Chapter, the accounting period is to be divided into as many consecutive periods (called “reference periods”) as are necessary to secure that—
- (a) a reference period begins with the first day of the accounting period,
 - (b) a reference period begins with the date of each disposal or acquisition of a share of the equity in the qualifying oil field that is made by the company in that accounting period (not including acquisitions or disposals made on the first day of the accounting period), and
 - (c) a reference period ends with the last day of the accounting period.
- (3) Each such reference period “belongs to” the qualifying oil field concerned.

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Changes in equity share: activation of allowance

332H Activation of allowance: reference periods

- (1) The amount (if any) of activated allowance that a company has for a qualifying oil field for a reference period is the smallest of the following—
 - (a) the total amount of unactivated allowance that is attributable to the reference period and the oil field (see section 332HA);
 - (b) the company's relevant income from the oil field for the reference period (see subsection (2));
 - (c) in a case where section 332FB (activation limit applying in case of certain fields) applies, the relevant activation limit for the reference period and the oil field (see subsection (3)).
- (2) The company's relevant income from the oil field for the reference period is so much of the company's relevant income from the oil field for the accounting period (see section 332F(3)) as arises in the reference period.
- (3) If section 332FB (activation limit applying in case of certain fields) applies in relation to the oil field for the accounting period in which the reference period falls, the “relevant activation limit” for the reference period and the oil field is the amount that would be the total amount of unactivated allowance attributable to the reference period and the oil field if paragraph 7(3) of Schedule 12 to FA 2015 (conversion of unactivated field allowance) had never applied to any allowance attributable to the project in question.

332HA Unactivated amounts attributable to a reference period

- (1) For the purposes of section 332H(1)(a), the total amount of unactivated allowance attributable to a reference period and a qualifying oil field is—

$$P + Q$$

where—

P is the amount of allowance generated by the company in the reference period in the oil field (including any amount treated under section 332IB(1) as generated by the company in that oil field in that reference period);

Q is the amount given by subsection (2) or (3).

- (2) Where the reference period is not immediately preceded by another reference period but is preceded by an accounting period of the company, Q is equal to the amount (if any) that is to be carried forward from that preceding accounting period under section 332FC(1).
- (3) Where the reference period is immediately preceded by another reference period, Q is equal to the amount (if any) carried forward under section 332HB(1).

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332HB Carry-forward of unactivated allowance from a reference period

- (1) If, in the case of a reference period (“RP1”) of a company, the amount given by subsection (2) is greater than zero, that amount is treated as investment allowance held by the company for the qualifying oil field for the next period (and is treated as held with effect from the beginning of that period).
- (2) The amount is—

$$U - A - T$$

where—

U is the total amount of unactivated allowance attributable to the reference period and the qualifying oil field (see section 332HA(1));

A is the amount of activated allowance that the company has for the qualifying oil field for the reference period (see section 332H(1));

T is any amount that is required by section 332IA(1) (reduction of allowance if equity disposed of) to be deducted in connection with a disposal or disposals made on the day following the end of the reference period.

- (3) If RP1 is immediately followed by another reference period of the company (belonging to the same qualifying oil field), “the next period” means that reference period.
- (4) If subsection (3) does not apply, “the next period” means the next accounting period of the company.

Transfers of allowance on disposal of equity share

332I Introduction to sections 332IA and 332IB

- (1) Sections 332IA and 332IB apply where—
 - (a) a company (“the transferor”) disposes of the whole or part of its share of the equity in a qualifying oil field, and
 - (b) one or more of the following conditions is met.
- (2) The “unactivated allowance condition” is that immediately before the disposal the transferor holds unactivated investment allowance for the oil field.
- (3) The “section 332DA expenditure condition” is that—
 - (a) immediately before the disposal the company has for the purposes of section 332DA (restriction where field qualified for field allowance as new field) a cumulative total of relevant expenditure attributable to its share of the equity in the oil field, and
 - (b) the date of the disposal falls before any date determined under section 332DA(5) (material completion).
- (4) The “section 332DB expenditure condition” is that—
 - (a) immediately before the disposal the company has for the purposes of section 332DB (restriction where project in additionally-developed field qualified for field allowance) a cumulative total of relevant expenditure

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- attributable to its share of project-related reserves in relation to the oil field, and
- (b) the date of the disposal falls before any date determined under section 332DB(5) (material completion).
- (5) In sections 332IA and 332IB—
- (a) each of the companies to which a share of the equity is disposed of is referred to as “a transferee”, and
- (b) references to conditions are to be read in accordance with this section.

332IA Reduction of allowance if equity is disposed of

- (1) If the unactivated allowance condition is met, the following amount is to be deducted in calculating the total amount of unactivated investment allowance attributable to the qualifying oil field concerned that is to be carried forward under section 332FC or 332HB from an accounting period or reference period of the transferor—

$$(U - A) \times \frac{(E1 - E2)}{E1}$$

where—

U and A are—

- (a) in the case of a disposal made on the day following the end of an accounting period, the same as in section 332FC(2) (in its application to that period), or
- (b) in the case of a disposal made on the day following the end of a reference period, the same as in section 332HB(2) (in its application to that period);

E1 is the transferor's share of the equity in the qualifying oil field immediately before the disposal;

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

- (2) Subsection (3) applies if the section 332DA expenditure condition is met.
- (3) As from the beginning of the accounting period or reference period that begins with the day on which the disposal is made, the following amount is to be deducted in calculating for the purposes of section 332DA the cumulative total of relevant expenditure attributable to the transferor's share of the equity in the oil field—

$$X \times \frac{(E1 - E2)}{E1}$$

where—

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X is the cumulative total of relevant expenditure attributable to the transferor's share of the equity in the oil field (for the purposes of section 332DA), determined immediately before the disposal;

E1 and E2 have the same meaning as in subsection (1).

- (4) Subsection (5) applies if the section 332DB expenditure condition is met.
- (5) As from the beginning of the accounting period or reference period that begins with the day on which the disposal is made, the following amount is to be deducted in calculating for the purposes of section 332DB the cumulative total of relevant expenditure attributable to the transferor's share of project-related reserves—

$$X \times \frac{(E1 - E2)}{E1}$$

where—

X is the cumulative total of relevant expenditure attributable to the transferor's share of project-related reserves (for the purposes of section 332DB), determined immediately before the disposal;

E1 is the transferor's share, immediately before the disposal, of the additional reserves of oil that the oil field has as a result of the project;

E2 is the transferor's share, immediately after the disposal, of the additional reserves of oil that the oil field has as a result of the project.

332IB Acquisition of allowance if equity acquired

- (1) If the unactivated allowance condition is met, a transferee is treated as generating in the qualifying oil field concerned, at the beginning of the reference period or accounting period of the transferee that begins with the day on which the disposal is made, investment allowance of the amount given by subsection (2).
- (2) The amount is—

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

where—

R is the amount determined for the purposes of the deduction under section 332IA(1);

E3 is the share of the equity in the qualifying oil field that the transferee has acquired from the transferor;

E1 and E2 are the same as in section 332IA(1).

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- (3) Subsection (4) applies if the section 332DA expenditure condition is met.
- (4) A transferee is treated for the purposes of section 332DA(3) as having incurred in respect of the qualifying oil field, at the beginning of the reference period or accounting period of the transferee that begins with the day on which the disposal is made, expenditure of the following amount—

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

where—

R is the amount determined for the purposes of the deduction under section 332IA(3);

E1, E2 and E3 have the same meaning as in subsection (2).

- (5) Subsection (6) applies if the section 332DB expenditure condition is met.
- (6) A transferee is treated for the purposes of section 332DB(3) as having incurred in respect of the project, at the beginning of the reference period or accounting period of the transferee that begins with the day on which the disposal is made, expenditure of the following amount—

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

where—

R is the amount determined for the purposes of the deduction under section 332IA(5);

E3 is the share of the project-related reserves that the transferee has acquired from the transferor;

E1 and E2 have the same meaning as in section 332IA(5).

- (7) In subsection (6) “project-related reserves” means the additional reserves of oil that the oil field has as a result of the project.

Miscellaneous

332J 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 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

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of section 332E on the profits or to the calculation of the amount to be carried forward under section 332EA).

332JA Regulations amending specified percentages

- (1) The Treasury may by regulations substitute a different percentage for the percentage that is at any time specified in any of the following provisions—
 - (a) section 332C(2) (calculation of allowance as a percentage of investment expenditure);
 - (b) section 332DA(4) (calculation of relevant field threshold in relation to former new field);
 - (c) section 332DB(4) (calculation of relevant project threshold in relation to former additionally-developed field).
- (2) Regulations under subsection (1) may include transitional provision.

Interpretation

332K When expenditure is incurred

- (1) Section 5 of CAA 2001 (when capital expenditure is incurred) applies for the purposes of this Chapter as for the purposes of that Act.
- (2) Regulations under section 332BA(1)(b) may make provision about when any expenditure that is investment expenditure as a result of the regulations is to be treated for the purposes of this Chapter as incurred.
- (3) This section is subject to section 332CA(3).

332KA Other definitions

In this Chapter (except where otherwise specified)—

“adjusted ring fence profits”, in relation to a company and an accounting period, is to be read in accordance with section 330ZA;

“cumulative total amount of activated allowance” has the meaning given by section 332E(2);

“investment allowance” has the meaning given by section 332C(2);

“licence” has the same meaning as in Part 1 of OTA 1975 (see section 12(1) of that Act);

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

“relevant income”, in relation to a qualifying oil field and an accounting period, has the meaning given by section 332F(3).]

Changes to legislation:

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