



Corporation Tax Act 2010

2010 CHAPTER 4

PART 8

OIL ACTIVITIES

[^{F1}CHAPTER 9

SUPPLEMENTARY CHARGE: CLUSTER AREA ALLOWANCE

Activated and unactivated allowance: basic calculation rules

[^{F1}356JH] **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 licensed area or sub-area which is wholly or partly included in a cluster area,
 - (b) the accounting period is not divided into reference periods (see section 356JI),
 - (c) the company holds, for the accounting period and the cluster area, a closing balance of unactivated allowance (see section 356JHA) which is greater than zero, and
 - (d) the company has relevant income from the cluster area for the accounting period.
- (2) The amount of activated allowance the company has for that accounting period and that cluster area is the smaller of—
 - (a) the closing balance of unactivated allowance held for the accounting period and the cluster area;
 - (b) [^{F2}the total amount of] the company's relevant income for that accounting period from that cluster area.
- [^{F3}(3) For the purposes of this Chapter, income is relevant income of a company from a cluster area for an accounting period if it is—

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 356JH. (See end of Document for details)

- (a) production income of the company from any oil extraction activities carried on in that area 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 cluster area) 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 cluster area 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 cluster area mentioned
- ^{F4}(9) in subsection (1), for the purposes of subsection (3)(b) the tariff receipt is to be attributed to the cluster area 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

- F1** Pt. 8 Ch. 9 inserted (26.3.2015) by [Finance Act 2015 \(c. 11\)](#), [Sch. 13 para. 2](#)
- F2** Words in s. 356JH(2)(b) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 63\(2\)](#)
- F3** Ss. 356JH(3)-(8) substituted for s. 356JH(3) (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 63\(3\)](#)
- F4** [Ss. 356JH\(9\)-\(11\)](#) 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\(3\)](#)

Changes to legislation:

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