Corporation Tax Act 2010

2010 CHAPTER 4

PART 8

OIL ACTIVITIES

CHAPTER 4

CALCULATION OF PROFITS

Oil valuation

280 Disposal to be valued by reference to section 2(5A) of OTA 1975

(1) This section applies if each of conditions A to G is met.

(2) Condition A is that oil is won from an oil field in the United Kingdom.

(3) Condition B is that there is a disposal of the oil by a company.

(4) Condition C is that the disposal is a disposal of the oil by the company crude in a sale at arm's length (as defined in paragraph 1 of Schedule 3 to OTA 1975).

(5) Condition D is that the circumstances are such that the price received or receivable—

(a) falls to be taken into account under section 2(5)(a) of that Act in calculating for petroleum revenue tax purposes the assessable profit or allowable loss accruing to the company in a chargeable period from the oil field, or

(b) would fall to be so taken into account, had the oil field been a taxable field (as defined in section 185 of FA 1993).

(6) Condition E is that the terms of the contract are such as are described in the opening words of section 2(5A) of OTA 1975 (transportation etc).

(7) Condition F is that, but for subsection (9), the company is not entitled to a transportation allowance in respect of the oil in calculating ring fence profits.

(8) Condition G is that the company does not claim a transportation allowance in respect of the oil in calculating for corporation tax purposes any profits that are not ring fence profits.

(9) Section 2(5A) of OTA 1975 is to apply in determining the amount which the company is to bring into account for the purposes of the charge to corporation tax on income in respect of the disposal as it applies (or would apply) for petroleum revenue tax purposes.

(10) In this section "transportation allowance", in relation to any oil, means—

(a) a deduction in respect of the expense of transporting the oil as mentioned in the opening words of section 2(5A) of OTA 1975,

(b) a deduction in respect of any costs of or incidental to the transportation of the oil as so mentioned, or

(c) any such reduction in the price to be regarded as received or receivable for the oil as would result from the application of section 2(5A) of OTA 1975, if that provision applied for corporation tax purposes.

281 Valuation where market value taken into account under section 2 of OTA 1975

(1) This section applies if a person disposes of oil in circumstances such that the market value of the oil—

(a) falls to be taken into account under section 2 of OTA 1975, otherwise than by virtue of paragraph 6 of Schedule 3 to that Act, in calculating for petroleum revenue tax purposes the assessable profit or allowable loss accruing to that person in a chargeable period from an oil field, or

(b) would so fall but for section 10 of that Act.

(2) For the purposes of the charge to corporation tax on income, the disposal of the oil, and its acquisition by the person to whom it was disposed of, are to be treated as having been for a consideration equal to the market value of the oil—

(a) as so taken into account under section 2 of that Act, or

(b) as would have been so taken into account under that section but for section 10 of that Act.

282 Valuation where disposal not sale at arm's length

(1) This section applies if conditions A, B and C are met.

(2) Condition A is that a person disposes of oil acquired by the person—

(a) in the course of oil extraction activities carried on by the person, or

(b) as a result of oil rights held by the person.

(3) Condition B is that the disposal is not a sale at arm's length (as defined in paragraph 1 of Schedule 3 to OTA 1975).

(4) Condition C is that section 281 does not apply in relation to the disposal.

(5) For the purposes of the charge to corporation tax on income, the disposal of the oil, and its acquisition by the person to whom it was disposed of, are to be treated as having been for a consideration equal to the market value of the oil.

(6) Paragraphs 2 and 3A of Schedule 3 to OTA 1975 (definition of market value of oil including light gases) apply for the purposes of this section as they apply for the purposes of Part 1 of that Act, but with the following modifications.

(7) Those modifications are that—

(a) any reference in paragraph 2 to the notional delivery day for the actual oil is to be read as a reference to the day on which the oil is disposed of as mentioned in this section, and

(b) paragraph 2(4) is to be treated as omitted.

283 Valuation where excess of nominated proceeds

(1) This section applies if an excess of nominated proceeds for a chargeable period—

(a) is taken into account in calculating a company's profits under section 2(5)(e) of OTA 1975, or

(b) would have been so taken into account if the company were chargeable to tax under OTA 1975 in respect of an oil field.

(2) For the purposes of the charge to corporation tax on income, the amount of the excess is to be added to the consideration which the company is treated as having received in respect of oil disposed of by it in the period.

(3) For corporation tax purposes, that amount is to be available to the company as a deduction in calculating the profits of any trade which (whether because of section 279 or otherwise) does not consist of activities falling within the definition of "oil-related activities" in section 274.

284 Valuation where relevant appropriation but no disposal

(1) This section applies if conditions A and B are met.

(2) Condition A is that a company makes a relevant appropriation of oil without disposing of it.

(3) Condition B is that the company does so in circumstances such that the market value of the oil—

(a) falls to be taken into account under section 2 of OTA 1975 in calculating for petroleum revenue tax purposes the assessable profit or allowable loss accruing to it in a chargeable period from an oil field, or

(b) would so fall but for section 10 of that Act.

(4) For the purposes of the charge to corporation tax on income, the company is to be treated as having, at the time of the appropriation—

(a) sold the oil in the course of the separate trade consisting of activities falling within the definition of "oil-related activities" in section 274, and

(b) purchased it in the course of the separate trade consisting of activities not so falling.

(5) For those purposes, that sale and purchase is to be treated as having been at a price equal to the market value of the oil—

(a) as so taken into account under section 2 of OTA 1975, or

(b) as would have been so taken into account under that section but for section 10 of that Act.

(6) In this section "relevant appropriation" has the meaning given by section 12(1) of OTA 1975.

285 Valuation where appropriation to refining etc

(1) This section applies if conditions A, B and C are met.

(2) Condition A is that a company appropriates oil acquired by it—
(a) in the course of oil extraction activities carried on by it, or
(b) as a result of oil rights held by it.

(3) Condition B is that the oil is appropriated to refining or to any use except the production purposes of an oil field (as defined in section 12(1) of OTA 1975).

(4) Condition C is that section 284 does not apply in relation to the appropriation.

(5) For the purposes of the charge to corporation tax on income—
(a) the company is to be treated as having, at the time of the appropriation, sold and purchased the oil as mentioned in section 284(4)(a) and (b), and
(b) that sale and purchase is to be treated as having been at a price equal to the market value of the oil.

(6) Paragraphs 2 and 3A of Schedule 3 to OTA 1975 (definition of market value of oil including light gases) apply for the purposes of this section as they apply for the purposes of Part 1 of that Act, but with the following modifications.

(7) Those modifications are that—
(a) any reference in paragraph 2 to the notional delivery day for the actual oil is to be read as a reference to the day on which the oil is appropriated as mentioned in this section,
(b) any reference in paragraphs 2 and 2A to oil being relevantly appropriated is to be read as a reference to its being appropriated as mentioned in this section, and
(c) paragraph 2(4) is to be treated as omitted.

Loan relationships

286 Restriction on debits to be brought into account

(1) Debits may not be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in respect of a company's loan relationships in any way that results in a reduction of what would otherwise be the company's ring fence profits, but this is subject to subsections (2) to (4).

(2) Subsection (1) does not apply so far as a loan relationship is in respect of money borrowed by the company which has been—
(a) used to meet expenditure incurred by the company in carrying on oil extraction activities or in acquiring oil rights otherwise than from a connected person, or
(b) appropriated to meeting expenditure to be so incurred by the company.

(3) Subsection (1) does not apply, in the case of debits falling to be brought into account as a result of section 329 of CTA 2009 in respect of a loan relationship that has not been entered into, so far as the relationship would have been one entered into for the purpose of borrowing money to be used or appropriated as mentioned in subsection (2).

(4) Subsection (1) does not apply, in the case of debits in respect of a loan relationship to which Chapter 2 of Part 6 of CTA 2009 (relevant non-lending relationships) applies, so far as—

(a) the payment of interest under the relationship is expenditure incurred as mentioned in subsection (2)(a), or

(b) the exchange loss arising from the relationship is in respect of a money debt on which the interest payable (if any) is, or would be, such expenditure.

(5) If a debit—

(a) falls to be brought into account for the purposes of Part 5 of CTA 2009 in respect of a loan relationship of a company, but

(b) as a result of this section cannot be brought into account in a way that results in any reduction of what would otherwise be the company's ring fence profits,

the debit is to be brought into account for those purposes as a non-trading debit despite anything in section 297 of that Act.

(6) References in this section to a loan relationship, in relation to the borrowing of money, do not include a relationship to which Chapter 2 of Part 6 of CTA 2009 (relevant non-lending relationships) applies.

287 Restriction on credits to be brought into account

(1) Credits in respect of exchange gains from a company's loan relationships may not be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in any way that results in an increase of what would otherwise be the company's ring fence profits, but this is subject to subsections (2) to (4).

(2) Subsection (1) does not apply so far as a loan relationship is in respect of money borrowed by the company which has been—

(a) used to meet expenditure incurred by the company in carrying on oil extraction activities or in acquiring oil rights otherwise than from a connected person, or

(b) appropriated to meeting expenditure to be so incurred by the company.

(3) Subsection (1) does not apply, in the case of credits falling to be brought into account as a result of section 329 of CTA 2009 in respect of a loan relationship that has not been entered into, so far as the relationship would have been one entered into for the purpose of borrowing money to be used or appropriated as mentioned in subsection (2).

(4) Subsection (1) does not apply, in the case of credits in respect of a loan relationship to which Chapter 2 of Part 6 of CTA 2009 (relevant non-lending relationships) applies, so far as—

(a) the payment of interest under the relationship is expenditure incurred as mentioned in subsection (2)(a), or

(b) the exchange gain arising from the relationship is in respect of a money debt on which the interest payable (if any) is, or would be, such expenditure.

(5) If a credit—

(a) falls to be brought into account for the purposes of Part 5 of CTA 2009 in respect of any loan relationship of a company, but

(b) as a result of this section cannot be brought into account in a way that results in any increase of what would otherwise be the company's ring fence profits,

the credit is to be brought into account for those purposes as a non-trading credit despite anything in section 297 of that Act.

(6) Section 286(6) applies for the purposes of this section.

Sale and lease-back

288 Sale and lease-back

(1) This section applies if conditions A, B and C are met.

(2) Condition A is that a company ("the seller") carrying on a trade has disposed of—

(a) an asset which was used for the purposes of that trade, or

(b) an interest in such an asset.

(3) Condition B is that the asset is used, under a lease, by the seller or a company associated with the seller ("the lessee") for the purposes of a ring fence trade carried on by the lessee.

(4) Condition C is that the lessee uses the asset before the end of the period of two years beginning with the disposal.

(5) Subsection (6) applies to so much (if any) of the expenditure incurred by the lessee under the lease as—

(a) falls, in accordance with generally accepted accounting practice, to be treated in the accounts of the lessee as a finance charge, or

(b) falls, if the lease is a long funding operating lease, to be deductible in calculating the profits of the lessee for corporation tax purposes (after first making against any such expenditure any reductions falling to be made as a result of section 379 (lessee under long funding operating lease)).

But subsection (6) is subject to subsection (7).

(6) The expenditure is not allowable in calculating for the purposes of Part 3 of CTA 2009 the profits of the ring fence trade.

(7) Expenditure is not to be disallowed because of subsection (6) so far as the disposal mentioned in subsection (2) is made for a consideration which—

(a) is used to meet expenditure incurred by the seller in carrying on oil extraction activities or in acquiring oil rights otherwise than from a company associated with the seller, or

(b) is appropriated to meeting expenditure to be so incurred by the seller.

(8) If any expenditure—

(a) would, but for subsection (6), be allowable in calculating for the purposes of Part 3 of CTA 2009 the profits of the ring fence trade for an accounting period, but

(b) because of that subsection is not so allowable,

the expenditure is to be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) as if it were a non-trading debit in respect of a loan relationship of the lessee for that period.

(9) In this section—

"long funding operating lease" means a long funding operating lease for the purposes of Part 2 of CAA 2001 (see section 70YI(1) of that Act), and

"lease", in relation to an asset, has the same meaning as in Chapter 3 of Part 19 (see section 868).

Regional development grants

289 Reduction of expenditure by reference to regional development grant

(1) This section applies if conditions A and B are met.

(2) Condition A is that a person has incurred expenditure (by way of purchase, rent or otherwise) on the acquisition of an asset in a transaction to which paragraph 2 of Schedule 4 to OTA 1975 applies (transactions between connected persons or otherwise than at arm's length).

(3) Condition B is that the expenditure incurred by the other person mentioned in that paragraph in acquiring, bringing into existence or enhancing the value of the asset as mentioned in that paragraph—

(a) has been or is to be met by a regional development grant, and

(b) falls (in whole or in part) to be taken into account under Part 2 or 6 of CAA 2001 (capital allowances relating to plant and machinery or research and development).

(4) Subsection (5) applies for the purposes of the charge to corporation tax on the income arising from the activities of the person mentioned in subsection (2) which are treated by section 279 as a separate trade for those purposes.

(5) The expenditure mentioned in subsection (2) is to be reduced by the amount of the regional development grant mentioned in subsection (3).

(6) In this section "regional development grant" means a grant falling within section 534(1) of CAA 2001 (Northern Ireland regional development grant).

290 Adjustment as a result of regional development grant

(1) This section applies if conditions A, B and C are met.

(2) Condition A is that expenditure incurred by a company in relation to an asset in an accounting period ("the initial period") has been or is to be met by a regional development grant.

(3) Condition B is that, despite the provisions of section 534(2) and (3) of CAA 2001 (Northern Ireland regional development grants) and section 289 of this Act, in determining that company's liability to corporation tax for the initial period, the whole or some part of that expenditure falls to be taken into account under Part 2 or 6 of CAA 2001.

(4) Condition C is that—

(a) expenditure on the asset becomes allowable under section 3 or 4 of OTA 1975 in an accounting period (an "adjustment period") subsequent to the initial period, or

(b) the proportion of any such expenditure which is allowable in an adjustment period is different as compared with the initial period.

(5) There is to be redetermined for the purposes of subsections (7) and (8) the amount of the expenditure mentioned in subsection (2) which would have been taken into account as mentioned in subsection (3) if the circumstances mentioned in subsection (4) had existed in the initial period.

(6) According to whether the amount as so redetermined is greater or less than the amount actually taken into account as mentioned in subsection (3), the difference is referred to in subsections (7) and (8) as the increase or the reduction in the allowance.

(7) If there is an increase in the allowance, an amount of capital expenditure equal to the increase is to be treated, for the purposes of Part 2 or 6 of CAA 2001, as having been incurred by the company concerned in the adjustment period on an extension of, or addition to, the asset mentioned in subsection (2).

(8) If there is a reduction in the allowance, the company concerned is to be treated, for the purpose of determining its liability to corporation tax, as having received in the adjustment period, as income of the trade in connection with which the expenditure mentioned in subsection (2) was incurred, a sum equal to the amount of the reduction in the allowance.

(9) In this section "regional development grant" has the meaning given by section 289(6).

Tariff receipts etc

291 Tariff receipts etc

(1) Subsection (5) applies to a sum which meets conditions A, B and C.

(2) Condition A is that the sum constitutes a tariff receipt or tax-exempt tariffing receipt of a person who is a participator in an oil field.

(3) Condition B is that the sum constitutes consideration in the nature of income rather than capital.

(4) Condition C is that the sum would not, but for subsection (5), be treated as mentioned in that subsection.

(5) The sum is to be treated as a receipt of the separate trade mentioned in section 279.

(6) So far as they would not otherwise be so treated, the activities—

(a) of a participator in an oil field, or

(b) of a person connected with the participator,

in making available an asset in a way which gives rise to tariff receipts or tax-exempt tariffing receipts of the participator are to be treated for the purposes of this Part as oil extraction activities.

(7) In determining for the purposes of subsection (2) whether a sum constitutes a tariff receipt or tax-exempt tariffing receipt of a person who is a participator, no account may be taken of any sum which—

(a) is in fact received or receivable by a person connected with the participator, and

(b) constitutes a tariff receipt or tax-exempt tariffing receipt of the participator.

But in relation to the person by whom such a sum is actually received, subsection (2) has effect as if the person were a participator and as if condition A were met.

(8) References in this section to a person connected with a participator include a person with whom the person is associated, within the meaning of paragraph 11 of Schedule 2 to the Oil Taxation Act 1983, but section 1176(1) of this Act (meaning of "connected" persons) does not apply for the purposes of this section.

(9) In this section—

"tax-exempt tariffing receipt" has the meaning given by section 6A(2) of the Oil Taxation Act 1983, and

"tariff receipt" has the same meaning as in that Act.

Abandonment guarantees

292 Expenditure on and under abandonment guarantees

(1) Subsection (2) applies if, as a result of section 3(1)(hh) of OTA 1975 (obtaining abandonment guarantee), expenditure incurred by a participator in an oil field is allowable (in whole or in part) for petroleum revenue tax purposes under section 3 of that Act.

(2) So far as that expenditure is so allowable, it is to be allowed as a deduction in calculating the participator's ring fence income.

(3) Subsection (4) applies if a payment is made by the guarantor under an abandonment guarantee.

(4) So far as any expenditure for which the relevant participator is liable is met, directly or indirectly, out of the payment, the expenditure is not to be regarded for corporation tax purposes as having been incurred by the relevant participator or any other participator in the oil field concerned.

(5) See also section 294 (payment under abandonment guarantee not immediately applied).

(6) In this Chapter—

"abandonment guarantee" has the same meaning as it has for the purposes of section 105 of FA 1991 (see section 104 of that Act), and

"the guarantor" and "the relevant participator" have the same meaning as in section 104 of that Act.

293 Relief for reimbursement expenditure under abandonment guarantees

(1) This section applies if—

(a) a payment ("the guarantee payment") is made by the guarantor under an abandonment guarantee,

(b) as a result of the making of the guarantee payment, the relevant participator becomes liable under the terms of the abandonment guarantee to pay any sum to the guarantor, and

(c) expenditure is incurred, or consideration in money's worth is given, by the relevant participator in or towards meeting that liability.

(2) In this section "reimbursement expenditure" means expenditure incurred as mentioned in subsection (1)(c) or consideration (or the value of consideration) given as so mentioned; and any reference to the incurring of reimbursement expenditure is to be read accordingly.

(3) So much of any reimbursement expenditure as constitutes qualifying expenditure (see subsection (4)) is to be allowed as a deduction in calculating the relevant participator's ring fence income; and no part of the expenditure which is so allowed is to be otherwise deductible or allowable by way of relief for corporation tax purposes.

(4) The amount of reimbursement expenditure incurred in any accounting period by the relevant participator which constitutes qualifying expenditure is determined by the formula—

$$A \times \frac{B}{C}$$

where—

A is the reimbursement expenditure incurred in the accounting period,

B is so much of the expenditure represented by the guarantee payment as, had it been incurred by the relevant participator, would have been taken into account (by way of capital allowance or a deduction) in calculating the relevant participator's ring fence income, and

C is the total of the sums which, at or before the end of the accounting period, the relevant participator is or has become liable to pay to the guarantor as mentioned in subsection (1)(b).

But this is subject to subsection (5).

(5) In relation to the guarantee payment, the total of the reimbursement expenditure (whenever incurred) which constitutes qualifying expenditure may not exceed whichever is the less of B and C in subsection (4).

(6) Any limitation on qualifying expenditure under subsection (5) is to be applied to the expenditure of a later accounting period in preference to an earlier one.

(7) For the purposes of this section, the expenditure represented by the guarantee payment is any expenditure—

(a) for which the relevant participator is liable, and

(b) which is met, directly or indirectly, out of the guarantee payment (and which, accordingly, because of section 292(4) is not to be regarded as expenditure incurred by the relevant participator).

(8) See also—

(a) section 294 (payment under abandonment guarantee not immediately applied), and

(b) section 295 which excludes amounts from subsection (1).

294 Payment under abandonment guarantee not immediately applied

(1) This section applies if—

(a) a payment made by the guarantor under an abandonment guarantee is not immediately applied in meeting any expenditure,

(b) the payment is for any period invested (either specifically or together with payments made by persons other than the guarantor) so as to be represented by, or by part of, the assets of a fund or account, and

(c) at a subsequent time, any expenditure for which the relevant participator is liable is met out of the assets of the fund or account.

(2) The references in sections 292(4) and 293(7) to expenditure which is met, directly or indirectly, out of the payment are to be read as references to so much of the expenditure for which the relevant participator is liable as is met out of those assets of the fund or account which, at the subsequent time mentioned in subsection (1)(c), it is just and reasonable to attribute to the payment.

295 Amounts excluded from section 293(1)

(1) This section applies if—

(a) the whole of the guarantee payment mentioned in section 293, or of the assets which under section 294 are attributed to the guarantee payment, is not applied in meeting liabilities of the relevant participator so mentioned which fall within section 104(1)(a) and (b) of FA 1991, and

(b) a sum representing the unapplied part of the guarantee payment or of those assets is repaid, directly or indirectly, to the guarantor so mentioned.

(2) Any liability of the relevant participator to repay that sum is to be excluded in determining the total liability of the relevant participator which falls within section 293(1)(b).

(3) The repayment to the guarantor of that sum is not to be regarded as expenditure incurred by the relevant participator as mentioned in section 293(1)(c).

Abandonment expenditure

296 Introduction to sections 297 and 298

(1) Sections 297 and 298 apply if—

(a) paragraph 2A of Schedule 5 to OTA 1975 applies, or would apply if a claim under paragraph 2A(2) of that Schedule were made, and

(b) the default payment falls (in whole or part) to be attributed to the contributing participator under paragraph 2A(2) of that Schedule.

(2) In section 297 "the additional abandonment expenditure" means the amount which is attributed to the contributing participator as mentioned in subsection (1)(b) (whether representing the whole or only part of the default payment).

(3) In this Chapter "default payment", "the defaulter" and "contributing participator" have the same meaning as in paragraph 2A of Schedule 5 to OTA 1975.

297 Relief for expenditure incurred by a participator in meeting defaulter's abandonment expenditure

(1) Relief by way of capital allowance, or a deduction in calculating ring fence income, is to be available to the contributing participator in respect of the additional abandonment expenditure if any such relief or deduction would have been available to the defaulter if—

(a) the defaulter had incurred the additional abandonment expenditure, and

(b) at the time that that expenditure was incurred the defaulter continued to carry on a ring fence trade.

(2) The basis of qualification for or entitlement to any relief or deduction which is available to the contributing participator under this section is to be determined on the assumption that the conditions in subsection (1)(a) and (b) are met.

(3) But, subject to subsection (2), any such relief or deduction is to be available in the same way as if the additional abandonment expenditure had been incurred by the contributing participator for the purposes of the ring fence trade carried on by the contributing participator.

298 Reimbursement by defaulter in respect of certain abandonment expenditure

(1) This section applies if expenditure is incurred, or consideration in money's worth is given, by the defaulter in reimbursing the contributing participator in respect of, or otherwise making good to the contributing participator, the whole or any part of the default payment.

(2) In this section "reimbursement expenditure" means expenditure incurred as mentioned in subsection (1) or consideration (or the value of consideration) given as so mentioned; and any reference to the incurring of reimbursement expenditure is to be read accordingly.

(3) Reimbursement expenditure is to be allowed as a deduction in calculating the defaulter's ring fence income (but this is subject to subsection (6)).

(4) Reimbursement expenditure received by the contributing participator is to be treated as a receipt (in the nature of income) of the participator's ring fence trade for the relevant accounting period (but this is subject to subsection (6)).

(5) Any additional assessment to corporation tax required in order to take account of the receipt of reimbursement expenditure by the contributing participator may be made at any time not later than 4 years after the end of the calendar year in which the reimbursement expenditure is so received.

(6) In relation to a particular default payment, reimbursement expenditure incurred at any time—

(a) is to be allowed as mentioned in subsection (3), and

(b) is to be taken into account as a result of subsection (4) in calculating the contributing participator's ring fence income,

only so far as, when aggregated with any reimbursement expenditure previously incurred in respect of that default payment, it does not exceed so much of the default payment as falls to be attributed to the contributing participator as mentioned in section 296(1)(b).

(7) The incurring of reimbursement expenditure is not to be regarded, by virtue of section 532 of CAA 2001 (the general rule excluding contributions), as the meeting of the expenditure of the contributing participator in making the default payment.

(8) In subsection (4) "the relevant accounting period" means—

(a) the accounting period in which the reimbursement expenditure is received by the contributing participator,

(b) if the contributing participator ceases to carry on the ring fence trade before the receipt of the reimbursement expenditure, the last accounting period of the trade, or

(c) if the contributing participator ceases to be within the charge to corporation tax in respect of the ring fence trade before the receipt of the reimbursement expenditure, the accounting period during or at the end of which the contributing participator ceased to be within the charge to corporation tax in respect of the trade.

Deduction of PRT in calculating income for corporation tax purposes

299 Deduction of PRT in calculating income for corporation tax purposes

(1) This section applies if a participator in an oil field has paid any petroleum revenue tax with which the participator was chargeable for a chargeable period.

(2) In calculating for corporation tax the amount of the participator's income arising from oil extraction activities or oil rights in the relevant accounting period, there is to be deducted an amount equal to that petroleum revenue tax.

(3) There are to be made all such adjustments of assessments to corporation tax as are required in order to give effect to subsection (2).

(4) In this section "the relevant accounting period", in relation to any petroleum revenue tax paid by a company, means—

(a) the accounting period of the company in or at the end of which the chargeable period for which that tax was charged ends, or

(b) if that chargeable period ends after the accounting period of the company in or at the end of which the company—

(i) ceases to carry on the trade giving rise to the income referred to above, or

(ii) ceases to be within the charge to corporation tax in respect of the trade,

that accounting period.

300 Effect of repayment of PRT: general rule

(1) This section applies if some or all of the petroleum revenue tax in respect of which a deduction has been made under section 299(2) is subsequently repaid.

(2) The deduction is to be reduced or extinguished accordingly.

(3) Any additional assessment to corporation tax required in order to give effect to subsection (2) may be made at any time not later than 4 years after the end of the calendar year in which the petroleum revenue tax was repaid.

(4) This section is subject to section 301.

301 Effect of repayment of PRT: special rule

(1) This section applies if, in a case where paragraph 17 of Schedule 2 to OTA 1975 applies, an amount of petroleum revenue tax in respect of which a deduction has been made under section 299(2) is repaid as a result of an assessment under that Schedule or an amendment of such an assessment.

(2) As regards so much of that repayment as constitutes the appropriate repayment—

(a) section 300 does not apply, and

(b) the following provisions apply in relation to the company which is entitled to the repayment.

(3) In calculating for corporation tax the amount of the company's income arising in the relevant accounting period from oil extraction activities or oil rights there is to be added an amount equal to the appropriate repayment (but this is subject to subsections (4) and (5)).

(4) Subsection (5) applies if—

(a) two or more carried back losses give rise to the appropriate repayment,

(b) the operative chargeable period in relation to each of the carried back losses is not the same, and

(c) if this section were applied separately in relation to each of the carried back losses there would be more than one relevant accounting period.

(5) The appropriate repayment is to be treated as apportioned between each of the relevant accounting periods mentioned in subsection (4)(c) in such a way as to secure that the amount added as a result of subsection (3) in relation to each of those relevant accounting periods is what it would have been if—

(a) relief for each of the carried back losses for which there is a different operative chargeable period had been given by a separate assessment or amendment of an assessment under Schedule 2 to OTA 1975, and

(b) relief for a carried back loss accruing in an earlier chargeable period had been so given before relief for a carried back loss accruing in a later chargeable period.

(6) Any additional assessment to corporation tax required in order to give effect to the addition of an amount as a result of subsection (3) may be made at any time not later than 4 years after the end of the calendar year in which the repayment of petroleum revenue tax comprising the appropriate repayment is made.

(7) In this section—

"allowable loss" has the same meaning as in Part 1 of OTA 1975 (see section 2 of that Act),

"the appropriate repayment" has the meaning given by paragraph 17(2) of Schedule 2 to that Act,

"carried back loss", in relation to the appropriate repayment, means an allowable loss—

(a) which falls within paragraph 17(1)(a) of Schedule 2 to OTA 1975, and

(b) which (alone or together with one or more other carried back losses) gives rise to the appropriate repayment,

"the operative chargeable period", in relation to a carried back loss, means the chargeable period in which the loss accrued, and

"the relevant accounting period", in relation to the company which is entitled to the appropriate repayment, means—

(a) the accounting period in or at the end of which the operative chargeable period ends,

(b) if the company ceases to carry on its ring fence trade before the end of the operative chargeable period, the last accounting period of that trade, or

(c) if the company ceases to be within the charge to corporation tax in respect of that trade before the end of the operative chargeable period, the accounting period during or at the end of which the company ceased to be within the charge to corporation tax in respect of that trade.

Interest on repayment of PRT or APRT

302 Interest on repayment of PRT or APRT

(1) Subsection (3) applies if any amount of petroleum revenue tax paid by a participator in an oil field is, under any provision of Part 1 of OTA 1975, repaid to the participator with interest.

(2) Subsection (3) also applies if interest is paid to a participator under paragraph 10(4) of Schedule 19 to FA 1982 (interest on advance petroleum revenue tax which becomes repayable).

(3) The interest paid is to be disregarded in calculating the participator's income for corporation tax purposes.

Relief

303 Management expenses

No deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) is to be allowed from a company's ring fence profits.

304 Losses

(1) Relief in respect of a loss incurred by a company may not be given under section 37 (relief for trade losses against total profits) against that company's ring fence profits except so far as the loss arises from oil extraction activities or from oil rights.

(2) Subsection (5) applies if conditions A and B are met.

(3) Condition A is that a company incurs a loss in an accounting period in activities ("separate activities") which, for that or any subsequent accounting period, are treated by section 279 as a separate trade for the purposes of the charge to corporation tax on income.

(4) Condition B is that any of the company's trading income in any subsequent accounting period is derived from activities ("related activities") which are not part of the separate activities but which would together with those activities constitute a single trade, were it not for section 279.

(5) The loss may be used under section 45 (carry forward of trade loss against subsequent trade profits) to reduce so much of the company's trading income in any subsequent accounting period as is derived from the related activities.

(6) Subsection (5) applies despite anything in section 279.

305 Group relief

(1) On a claim for group relief made by a claimant company in relation to a surrendering company, group relief may not be allowed against the claimant company's ring fence profits except so far as the claim relates to losses incurred by the surrendering company that arose from oil extraction activities or from oil rights.

(2) In section 105 (restriction on surrender of losses etc within section 99(1)(d) to (g)) the references to the surrendering company's gross profits of the surrender period do not include the company's relevant ring fence profits for that period.

(3) The company's "relevant ring fence profits" for that period are—

(a) if for that period there are no qualifying charitable donations made by the company that are allowable under Part 6 (charitable donations relief), the company's ring fence profits for that period, or

(b) otherwise, so much of the company's ring fence profits for that period as exceeds the amount of the qualifying charitable donations made by the company that are allowable under section 189 for that period.

(4) In this section "claimant company" and "surrendering company" are to be read in accordance with Part 5 (group relief) (see section 188).

306 Capital allowances

(1) A capital allowance may not to any extent be given effect under section 259 or 260 of CAA 2001 (special leasing) by deduction from a company's ring fence profits.

(2) But subsection (1) does not apply to a capital allowance which falls to be made to a company for any accounting period in respect of an asset which—

(a) is used in the relevant accounting period by a company associated with it, and

(b) is so used in carrying on oil extraction activities.

(3) "The relevant accounting period" means that for which the allowance in question first falls to be made to the company (whether or not it can to any extent be given effect in that period under section 259 of CAA 2001).