



Corporation Tax Act 2010

2010 CHAPTER 4

PART 8

OIL ACTIVITIES

CHAPTER 6

SUPPLEMENTARY CHARGE IN RESPECT OF RING FENCE TRADES

330 Supplementary charge in respect of ring fence trades

- (1) If a company carries on a ring fence trade in an accounting period, a sum equal to [^{F1}20%] of its adjusted ring fence profits for that period is to be charged on the company as if it were an amount of corporation tax chargeable on the company.
- (2) A company's "adjusted ring fence profits" for an accounting period are the amount which, on the assumption mentioned in subsection (3), would be determined for that period as the [^{F2}company's ring fence profits] chargeable to corporation tax.
[^{F3}See also sections 330A and 330B (which provide for the amount of adjusted ring fence profits to be further adjusted where decommissioning expenditure has been taken into account).]
- (3) The assumption is that financing costs are left out of account in calculating—
 - (a) the amount of the profits or loss of any ring fence trade of the company for an accounting period, and
 - (b) if for any such period the whole or part of any loss relief is surrendered to the company in accordance with section 305(1), the amount of that relief or part.
- (4) See also section 331 (meaning of financing costs etc).

[^{F4}(5) This Chapter is subject to—

- (a) Chapter 6A (reduction of supplementary charge: investment allowance),
- (b) Chapter 8 (reduction of supplementary charge: onshore allowance), and

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Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Chapter 6. (See end of Document for details)

(c) Chapter 9 (reduction of supplementary charge: cluster area allowance).]

Textual Amendments

- F1** Word in s. 330(1) substituted (with effect in accordance with s. 48(2) of the amending Act) by [Finance Act 2015 \(c. 11\), s. 48\(1\)](#)
- F2** Words in s. 330(2) substituted (retrospective to 6.12.2011) by [Finance Act 2012 \(c. 14\), s. 182\(1\)\(2\)](#)
- F3** Words in s. 330(2) inserted (with effect in accordance with Sch. 21 para. 6 of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 21 para. 2](#)
- F4** [S. 330\(5\)](#) substituted (with effect in accordance with Sch. 14 para. 10 of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 14 para. 3](#)

[^{F5}330ZA Ordering of allowances

- (1) In this section “relieving Chapter” means any of the following—
- (a) Chapter 6A (reduction of supplementary charge: investment allowance);
 - (b) Chapter 8 (reduction of supplementary charge: onshore allowance);
 - (c) Chapter 9 (reduction of supplementary charge: cluster area allowance).
- (2) Where a company has allowances under more than one relieving Chapter available for reducing the adjusted ring fence profits that are to be chargeable under section 330(1) for an accounting period, the company may choose the order in which the relieving Chapters in question are to be applied.
- (3) In any relieving Chapter, “adjusted ring fence profits”, in relation to a company and an accounting period, means the adjusted ring fence profits which would (ignoring all relieving Chapters except those which the company chooses to apply before that Chapter) be taken into account in calculating the supplementary charge on the company under section 330(1) for the accounting period.]

Textual Amendments

- F5** [S. 330ZA](#) inserted (with effect in accordance with Sch. 14 para. 10 of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 14 para. 4](#)

[^{F6}330A Decommissioning expenditure taken into account in calculating ring fence profits

- (1) This section applies where—
- (a) any decommissioning expenditure is taken into account in calculating the amount mentioned in paragraph (a) of subsection (3) of section 330 or the amount mentioned in paragraph (b) of that subsection, and
 - (b) if that expenditure were not so taken into account, the amount of the adjusted ring fence profits of the company for the accounting period would be greater than nil.
- (2) In calculating for the purposes of section 330(1) the amount of the adjusted ring fence profits of the company for the accounting period, there is to be added an amount equal to the appropriate fraction of the used-up amount of that expenditure.
- (3) For the purposes of this section—

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“the appropriate fraction” is

$$\frac{SC - 20\%}{SC}$$

where SC is the percentage specified in section 330(1) for the accounting period, and

“the used-up amount”, in relation to any expenditure, is the difference between—

- (a) the adjusted ring fence profits of the company for the accounting period determined in the absence of this section (which may be nil), and
 - (b) what the adjusted ring fence profits of the company for that accounting period would be if that expenditure were not taken into account as mentioned in subsection (1).
- (4) In determining for the purposes of this section whether, and to what extent, any losses which have been taken into account as mentioned in subsection (1) are attributable to decommissioning expenditure—
- (a) assume that any amounts of any other expenditure which could be taken into account in calculating those losses are taken into account before any amounts of decommissioning expenditure, and
 - (b) where any losses have been surrendered in accordance with Part 5, the company must specify, in accordance with a basis determined jointly by the company, the surrendering company (if different) and any other claimant company, whether any of those losses is attributable to decommissioning expenditure.
- (5) But if paragraph (a) of subsection (4) would work unfavourably in the company's case, the company may elect for that paragraph not to apply in relation to it and for any amounts of expenditure which could be taken into account in calculating those losses instead to be taken into account in the order specified in the election.
- (6) In determining for the purposes of this section the used-up amount of decommissioning expenditure, assume that any other amounts that could be deducted in calculating the adjusted ring fence profits of the company for the accounting period have already been so deducted.
- (7) But if subsection (6) would work unfavourably in the company's case, the company may elect for that subsection not to apply in relation to it and for any amounts that could be deducted in calculating those adjusted ring fence profits instead to be deducted in the order specified in the election.
- (8) For the purposes of this section, any deduction made under section 330B is to be disregarded.
- (9) This section does not apply in relation to any accounting period for which the percentage specified in section 330(1) is less than or equal to 20% (including any accounting period beginning before 24 March 2011 and ending on or after that date).
- (10) In this section—
- “claimant company” and “surrendering company” are to be read in accordance with Part 5 (see section 188), and
 - “decommissioning expenditure” has the meaning given by section 330C.]

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Textual Amendments

F6 Ss. 330A-330C inserted (with effect in accordance with Sch. 21 para. 6 of the amending Act) by Finance Act 2012 (c. 14), **Sch. 21 para. 3**

Modifications etc. (not altering text)

C1 Ss. 330A-330B excluded (with application in accordance with s. 48(3) of the amending Act) by Finance Act 2015 (c. 11), **s. 48(5)(6)**

[^{F6}330B Decommissioning expenditure taken into account for PRT purposes

(1) This section applies where—

- (a) any decommissioning expenditure is taken into account in calculating the assessable profit accruing to a participator in any chargeable period from an oil field,^{F7} ...
- (b) if that expenditure were not so taken into account, the amount of petroleum revenue tax with which the participator would be chargeable in respect of the field for the chargeable period would be greater than nil.
[^{F8}, and
- (c) an amount equal to the appropriate fraction of the used-up amount of that expenditure is added under section 330A(2) in calculating the participator's adjusted ring fence profits for an accounting period.]

[^{F9}(2) In calculating for the purposes of section 330(1) the amount of the participator's adjusted ring fence profits for the accounting period, there is to be deducted the amount given by—

$$RP \times AF \times D$$

where—

RP is the relevant percentage of the decommissioning expenditure,

AF is the appropriate fraction, and

D is the PRT difference.]

(3) For the purposes of this section—

[^{F10}“the relevant percentage of the decommissioning expenditure” is the percentage of that expenditure that is the used-up amount referred to in subsection (1)(c),]

“the appropriate fraction” is

$$\frac{SC - 20\%}{SC}$$

where SC is the percentage specified in section 330(1) for the ^{F11}... accounting period, and

“the PRT difference” is the difference between—

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- (a) the amount of petroleum revenue tax with which the participator is chargeable for the chargeable period (which may be nil), and
- (b) the amount of petroleum revenue tax with which the participator would be chargeable for that chargeable period if the decommissioning expenditure were not taken into account as mentioned in ^{F12}subsection (1)(a)] .
- (4) In determining for the purposes of this section whether, and to what extent, any allowable losses which have been taken into account as mentioned in ^{F13}subsection (1) (a)] are attributable to decommissioning expenditure, assume that any amounts of any other expenditure which could be taken into account in calculating those losses are taken into account before any amounts of decommissioning expenditure.
- (5) But if subsection (4) would work unfavourably in the participator's case, the participator may elect for that subsection not to apply in relation to it and for any amounts of expenditure which could be taken into account in calculating those losses instead to be taken into account in the order specified in the election.
- (6) This section does not apply in relation to any accounting period for which the percentage specified in section 330(1) is less than or equal to 20% (including any accounting period beginning before 24 March 2011 and ending on or after that date).
- (7) In this section—
- “assessable profit” and “allowable loss” have the same meaning as in Part 1 of OTA 1975 (see section 2 of that Act),
- “decommissioning expenditure” has the meaning given by section 330C, and
- ^{F14}...]
- ^{F15}“the used-up amount”, in relation to any expenditure, has the same meaning as in section 330A (see subsection (3) of that section).]

Textual Amendments

- F6** Ss. 330A-330C inserted (with effect in accordance with Sch. 21 para. 6 of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 21 para. 3](#)
- F7** Word in s. 330B(1)(a) omitted (with effect in accordance with s. 88(7) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\), s. 88\(2\)](#)
- F8** S. 330B(1)(c) and word inserted (with effect in accordance with s. 88(7) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 88\(2\)](#)
- F9** S. 330B(2) substituted (with effect in accordance with s. 88(7) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 88\(3\)](#)
- F10** Words in s. 330B(3) inserted (with effect in accordance with s. 88(7) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 88\(4\)\(a\)](#)
- F11** Word in s. 330B(3) omitted (with effect in accordance with s. 88(7) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\), s. 88\(4\)\(b\)](#)
- F12** Words in s. 330B(3) substituted (with effect in accordance with s. 88(7) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 88\(4\)\(c\)](#)
- F13** Words in s. 330B(4) substituted (with effect in accordance with s. 88(7) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 88\(5\)](#)
- F14** Words in s. 330B(7) omitted (with effect in accordance with s. 88(7) of the amending Act) by virtue of [Finance Act 2013 \(c. 29\), s. 88\(6\)\(a\)](#)
- F15** Words in s. 330B(7) inserted (with effect in accordance with s. 88(7) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 88\(6\)\(b\)](#)

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Modifications etc. (not altering text)

C1 Ss. 330A-330B excluded (with application in accordance with s. 48(3) of the amending Act) by Finance Act 2015 (c. 11), s. 48(5)(6)

[^{F6}330C Meaning of “decommissioning expenditure”

- (1) In sections 330A and 330B “decommissioning expenditure” means expenditure incurred in connection with—
 - (a) demolishing any plant or machinery,
 - (b) preserving any plant or machinery pending its reuse or demolition,
 - (c) preparing any plant or machinery for reuse,
 - (d) arranging for the reuse of any plant or machinery, or
 - (e) the restoration of any land.
- (2) It is immaterial for the purposes of subsection (1)(b) whether the plant or machinery is reused, is demolished or is partly reused and partly demolished.
- (3) It is immaterial for the purposes of subsection (1)(c) and (d) whether the plant or machinery is in fact reused.
- (4) In subsection (1)(e) “restoration” includes landscaping.
- (5) The Treasury may by order amend this section.
- (6) An order under subsection (5) may include transitional provision and savings.]

Textual Amendments

F6 Ss. 330A-330C inserted (with effect in accordance with Sch. 21 para. 6 of the amending Act) by Finance Act 2012 (c. 14), Sch. 21 para. 3

331 Meaning of “financing costs” etc

- (1) This section applies for the purposes of section 330.
- (2) “Financing costs” means the costs of debt finance.
- (3) In calculating the costs of debt finance for an accounting period the matters to be taken into account include—
 - (a) any costs giving rise to debits in respect of debtor relationships of the company under Part 5 of CTA 2009 (loan relationships), other than debits in respect of exchange losses from such relationships,
 - (b) any exchange gain or loss from a debtor relationship of the company in relation to debt finance,
 - (c) any credit or debit falling to be brought into account in accordance with Part 7 of CTA 2009 (derivative contracts) in relation to debt finance,
 - (d) the financing cost implicit in a payment under a finance lease,
 - (e) if the company is the lessee under a long funding operating lease, the amount deductible in respect of payments under the lease in calculating the profits of the lessee for corporation tax purposes (after first making against any such

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- amount any reductions falling to be made as a result of section 379 (lessee under long funding operating lease)), and,
- (f) any other costs arising from what would be considered in accordance with generally accepted accounting practice to be a financing transaction.
- (4) If an amount representing the whole or part of a payment falling to be made by a company—
- (a) falls (or would fall) to be treated as a finance charge under a finance lease for the purposes of accounts which relate to that company and one or more other companies and are prepared in accordance with generally accepted accounting practice, but
- (b) is not so treated in the accounts of the company,
- the amount is to be treated as a financing cost within subsection (3)(d).
- (5) If—
- (a) in calculating the adjusted ring fence profits of a company for an accounting period, an amount falls to be left out of account as a result of subsection (3)(d), but
- (b) the whole or any part of that amount is repaid,
- the repayment is also to be left out of account in calculating the adjusted ring fence profits of the company for any accounting period.
- (6) In this section “finance lease” means any arrangements which—
- (a) provide for an asset to be leased or otherwise made available by a person to another person (“the lessee”), and
- (b) under generally accepted accounting practice—
- (i) fall (or would fall) to be treated, in the accounts of the lessee or a person connected with the lessee, as a finance lease or a loan, or
- (ii) are comprised in arrangements which fall (or would fall) to be so treated.
- (7) For the purposes of applying subsection (6)(b), the lessee and any person connected with the lessee are to be treated as being companies which are incorporated in a part of the United Kingdom.
- (8) Section 1176(1) (meaning of “connected” persons) does not apply for the purposes of this section.
- (9) In this section—
- “accounts”, in relation to a company, includes accounts which—
- (a) relate to two or more companies of which that company is one, and
- (b) are drawn up in accordance with generally accepted accounting practice,
- “debtor relationship” has the meaning given by section 302(6) of CTA 2009,
- “exchange gains” and “exchange losses” are to be read in accordance with section 475 of CTA 2009, and
- “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).

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332 Assessment, recovery and postponement of supplementary charge

- (1) The provisions of section 330(1) relating to the charging of a sum as if it were an amount of corporation tax are to be taken as applying all enactments applying generally to corporation tax.
- (2) But this is subject to—
 - (a) the provisions of the Taxes Acts,
 - (b) any necessary modifications, and
 - (c) subsection (5).
- (3) The enactments mentioned in subsection (1) include—
 - (a) those relating to returns of information and the supply of accounts, statements and reports,
 - (b) those relating to the assessing, collecting and receiving of corporation tax,
 - (c) those conferring or regulating a right of appeal, and
 - (d) those concerning administration, penalties, interest on unpaid tax and priority of tax in cases of insolvency under the law of any part of the United Kingdom.
- (4) Accordingly TMA 1970 is to have effect as if any reference to corporation tax included a sum chargeable under section 330(1) as if it were an amount of corporation tax (but this does not limit subsections (1) to (3)).
- (5) In the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999 (S.I. 1999/358) or any further regulations made under section 32 of FA 1998 (unrelieved surplus advance corporation tax)—
 - (a) references to corporation tax do not include a sum chargeable on a company under section 330(1) as if it were corporation tax, and
 - (b) references to profits charged to corporation tax do not include adjusted ring fence profits, within the meaning of section 330.
- (6) In this section “the Taxes Acts” has the same meaning as in TMA 1970 (see section 118(1) of that Act).

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