

Corporation Tax Act 2010

2010 CHAPTER 4

PART 8

OIL ACTIVITIES

[F1CHAPTER 9

SUPPLEMENTARY CHARGE: CLUSTER AREA ALLOWANCE

Transfers of allowance on disposal of equity share

[^{F1}356JKDisposal of equity share: transfer of allowance

- (1) Subsections (2) and (3) apply where—
 - (a) a company ("the transferor") makes a disposal, on the day following the end of an accounting period or reference period, of the whole or part of its share of the equity in a licensed area or sub-area which is wholly or partly included in a cluster area ("the relevant cluster area"), and
 - (b) the maximum transferable amount is greater than zero.

Each company to which a share of the equity is disposed of is referred to in this section as a "transferee".

- (2) The transferor may, by an election, transfer to the transferee (or transferees) a specified amount of cluster area allowance (greater than zero) which—
 - (a) is not less than the minimum transferable amount, and
 - (b) is not more than the maximum transferable amount.
- (3) If the transferor does not make an election under subsection (2), the minimum transferable amount of cluster area allowance (if greater than zero) is transferred to the transferee (or transferees).
- (4) An election under subsection (2)—

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

- (a) must be made within the 60 days beginning with the date of the disposal,
- (b) must—
 - (i) specify the date of the disposal and the amount of cluster area allowance transferred, and
 - (ii) identify the transferees, and
- (c) is irrevocable.
- (5) The minimum transferable amount is—

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

where----

G is so much of the total generated allowance for the relevant cluster area (see subsection (6)) as is attributable on a just and reasonable basis to the licensed area or sub-area mentioned in subsection (1);

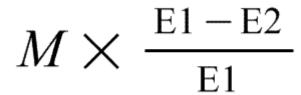
A is the total of any amounts of allowance which have, in relation to any accounting period or reference period of the transferor ending before the date of the disposal, been activated under section 356JH or 356JJ in relation to the relevant cluster area;

E1 is the transferor's share of the equity in the licensed area or sub-area immediately before the disposal;

E2 is the transferor's share of the equity in the licensed area or sub-area immediately after the disposal.

- (6) In the definition of "G" in subsection (5), "the total generated allowance for the relevant cluster area" means the total of—
 - (a) all amounts of cluster area allowance generated by the transferor in that cluster area before the date of the disposal, and
 - (b) any amounts treated under section 356JKB(1) as so generated on the date of the disposal.

(7) The maximum transferable amount is—



where---

M is the smaller of-

- (a) G (as defined in subsection (5)), and
- (b) the transferor's pre-transfer total of unactivated allowance for the relevant cluster area;

E1 and E2 have the same meaning as in subsection (5).

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(8) In subsection (7) the transferor's "pre-transfer total of unactivated allowance for the relevant cluster area" means—

$$P + Q - (A + S)$$

where----

P and Q are—

- (a) if the disposal is made on the day following the end of an accounting period, the same as in section 356JHA (in its application to that period), or
- (b) if the disposal is made on the day following the end of a reference period, the same as in section 356JJA(1) (in its application to that period);

A is—

- (a) if the disposal is made on the day following the end of an accounting period, the same as in section 356JHB(2) (in its application to that period), or
- (b) if the disposal is made on the day following the end of a reference period, the same as in section 356JJB(2) (in its application to that period);

S is the total of any amounts of allowance transferred by the transferor in connection with any prior disposals (see section 356JKA) made in relation to the relevant cluster area on the day on which the disposal is made.

(9) For the effect of a transfer of cluster area allowance in relation to the transferor, see-

- (a) for disposals made on the day following the end of an accounting period, section 356JHB (reduction of unactivated allowance carried forward from accounting period), or
- (b) for disposals made on the day following the end of a reference period, section 356JJB (reduction of unactivated allowance carried forward from reference period).]

Textual Amendments

F1 Pt. 8 Ch. 9 inserted (26.3.2015) by Finance Act 2015 (c. 11), Sch. 13 para. 2

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