



Finance Act 2014

2014 CHAPTER 26

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 4

OTHER PROVISIONS

Oil and gas

^{F1}69 Extended ring fence expenditure supplement for onshore activities

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Textual Amendments

F1 S. 69 repealed (with effect in accordance with Sch. 11 para. 14 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 11 para. 13\(2\)](#)

70 Supplementary charge: onshore allowance

Schedule 15 contains provision about the reduction of adjusted ring fence profits by means of an onshore allowance.

71 Oil and gas: reinvestment after pre-trading disposal

(1) In Chapter 2 of Part 6 of TCGA 1992 (oil and mineral industries), after section 198I insert—

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“198J Oil and gas: reinvestment after pre-trading disposal

- (1) This section applies if a company which is an E&A company makes a disposal of, or of the company's interest in, relevant E&A assets and that disposal is—
 - (a) a disposal of, or of an interest in, a UK licence which relates to an undeveloped area, or
 - (b) a disposal of an asset used in an area covered by a licence under Part 1 of the Petroleum Act 1998 or the Petroleum (Production) Act (Northern Ireland) 1964 which authorises the company to undertake E&A activities.
- (2) If—
 - (a) the consideration which the company obtains for the disposal is applied by the company, within the permitted reinvestment period—
 - (i) on E&A expenditure at a time when the company is an E&A company, or
 - (ii) on oil assets taken into use, and used only, for the purposes of a ring fence trade carried on by it, and
 - (b) the company makes a claim under this subsection in relation to the disposal,

any gain accruing to the company on the disposal is not a chargeable gain.
- (3) If part only of the amount or value of the consideration for the disposal is applied as described in subsection (2)(a)—
 - (a) subsection (2) does not apply, but
 - (b) subsection (4) applies if all of the amount or value of the consideration is so applied except for a part which is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal.
- (4) If the company makes a claim under this subsection in relation to the disposal, the company is to be treated for the purposes of this Act as if the amount of the gain accruing on the disposal were reduced to the amount of the part mentioned in subsection (3)(b) (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain).
- (5) The incurring of expenditure is within “the permitted reinvestment period” if the expenditure is incurred in the period beginning 12 months before and ending 3 years after the disposal, or at such earlier or later time as the Commissioners for Her Majesty's Revenue and Customs may by notice allow.
- (6) Subsections (6), (7), (10) and (11) of section 152 apply for the purposes of this section as they apply for the purposes of section 152, except that—
 - (a) in subsection (6) the reference to a trade is to be read as a reference to E&A activities or a ring fence trade,
 - (b) in subsection (7), the reference to the old assets is to be read as a reference to the assets disposed of as mentioned in subsection (1) of this section, and
 - (c) in subsection (7), the references to the trade are to be read as references to the E&A activities.
- (7) In this section—

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“E&A activities” means oil and gas exploration and appraisal in the United Kingdom or an area designated by Order in Council under section 1(7) of the Continental Shelf Act 1964;

“E&A company” means a company which carries on E&A activities and does not carry on a ring fence trade;

“E&A expenditure” means expenditure on E&A activities which is treated as such under generally accepted accounting practice;

“oil asset” has the same meaning as in section 198E, and section 198I applies for the purposes of this section as it applies for the purposes of section 198E;

“relevant E&A assets” means assets which—

- (a) are used, and used only, for the purposes of E&A activities carried on by the company throughout the period of ownership, and
- (b) are within the classes of assets listed in section 155 (with references to “the trade” in that section being read as references to the E&A activities);

“ring fence trade” has the meaning given by section 277 of CTA 2010;

“UK licence” means a licence within the meaning of Part 1 of the Oil Taxation Act 1975;

and a reference to a UK licence which relates to an undeveloped area has the same meaning as in section 194 (see section 196).

198K Provisional application of section 198J

- (1) This section applies where a company for a consideration disposes of, or of an interest in, any assets at a time when it is an E&A company and declares, in the company's return for the chargeable period in which the disposal takes place—
 - (a) that the whole or any specified part of the consideration will be applied, within the permitted reinvestment period—
 - (i) on E&A expenditure at a time when the company is an E&A company, or
 - (ii) on expenditure on oil assets which are taken into use, and used only, for the purposes of the company's ring fence trade, and
 - (b) that the company intends to make a claim under section 198J(2) or (4) in relation to the disposal.
- (2) Until the declaration ceases to have effect, section 198J applies as if the expenditure had been incurred and the person had made such a claim.
- (3) The declaration ceases to have effect as follows—
 - (a) if and to the extent that it is withdrawn before the relevant day, or is superseded before that day by a valid claim under section 198J, on the day on which it is so withdrawn or superseded, and
 - (b) if and to the extent that it is not so withdrawn or superseded, on the relevant day.

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- (4) On the declaration ceasing to have effect in whole or in part, all necessary adjustments—
 - (a) are to be made by making or amending assessments or by repayment or discharge of tax, and
 - (b) are to be so made despite any limitation on the time within which assessments or amendments may be made.
- (5) In this section “the relevant day” means the fourth anniversary of the last day of the accounting period in which the disposal took place.
- (6) For the purposes of this section—
 - (a) sections (6), (10) and (11) of section 152 apply as they apply for the purposes of that section, except that in subsection (6) the reference to a trade is to be read as a reference to E&A activities or a ring fence trade, and
 - (b) terms used in this section which are defined in section 198J have the meaning given by that section.

198L Expenditure by member of same group

- (1) Section 198J applies where—
 - (a) the disposal is by a company which, at the time of the disposal, is a member of a group of companies (within the meaning of section 170),
 - (b) the E&A expenditure or expenditure on oil assets is by another company which, at the time the expenditure is incurred, is a member of the same group, and
 - (c) the claim under section 198J is made by both companies, as if both companies were the same person.
- (2) “E&A company”, “E&A expenditure” and “oil assets” have the meaning given by section 198J.”
- (2) The amendment made by this section has effect in relation to disposals made on or after 1 April 2014.

72 Substantial shareholder exemption: oil and gas

- (1) In Schedule 7AC to TCGA 1992 (exemption for disposals by companies with substantial shareholding), in paragraph 15A (effect of transfer of trading assets within a group), after sub-paragraph (2) insert—
 - “(2A) For the purposes of sub-paragraph (2)(b) and (d), “trade” includes oil and gas exploration and appraisal.”
- (2) The amendment made by this section has effect in relation to disposals made on or after 1 April 2014.

73 Oil contractor activities: ring-fence trade etc

Schedule 16 contains provision about the corporation tax treatment of oil contractor activities.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 212(4)(f) and word inserted by [2021 c. 26 Sch. 27 para. 43\(b\)\(ii\)](#)
- s. 212(5)(a)(iv) and word inserted by [2021 c. 26 Sch. 27 para. 43\(c\)\(ii\)](#)
- s. 212(5)(b)(iv) and word inserted by [2021 c. 26 Sch. 27 para. 43\(c\)\(iv\)](#)
- s. 212(5)(c)(iv) and word inserted by [2021 c. 26 Sch. 27 para. 43\(c\)\(v\)](#)
- Sch. 31 para. 2(3)(b) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(iii\)](#)
- Sch. 31 para. 2(4A) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(c\)](#)
- Sch. 31 para. 3(1A) inserted by [2017 c. 32 Sch. 14 para. 45\(3\)\(b\)](#)
- Sch. 31 para. 5(b) inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(c\)](#)
- Sch. 31 para. 2(3)(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(ii\)](#)
- Sch. 31 para. 5(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(b\)](#)
- Sch. 31 para. 2(3)(a) words renumbered as Sch. 31 para. 2(3)(a) by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(i\)](#)
- Sch. 31 para. 5(a) words renumbered as Sch. 31 para. 5(a) by [2017 c. 32 Sch. 14 para. 45\(4\)\(a\)](#)
- Sch. 32 para. 1(2)(b) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(iii\)](#)
- Sch. 32 para. 1(3A) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(c\)](#)
- Sch. 32 para. 1(2)(a) words inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(ii\)](#)
- Sch. 32 para. 1(2)(a) words renumbered as Sch. 32 para. 1(2)(a) by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(i\)](#)