



Taxation of Chargeable Gains Act 1992

1992 CHAPTER 12

PART VI

COMPANIES, OIL, INSURANCE ETC.

CHAPTER II

OIL AND MINING INDUSTRIES

Oil exploration and exploitation

^{F1}193 Roll-over relief not available for gains on oil licences.

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Textual Amendments

F1 S. 193 repealed (with effect in accordance with s. 103(2) of the amending Act) by [Finance Act 1999](#) (c. 16), s. 103(1), [Sch. 20 Pt. IV\(2\)](#)

194 Disposals of oil licences relating to undeveloped areas.

- (1) In this section any reference to a disposal (including a part disposal) is a reference to a disposal made by way of a bargain at arm's length.
- (2) If, at the time of the disposal, the licence relates to an undeveloped area, then, to the extent that the consideration for the disposal consists of—
 - (a) another licence which at that time relates to an undeveloped area or an interest in another such licence, or
 - (b) an obligation to undertake exploration work or appraisal work in an area which is or forms part of the licensed area in relation to the licence disposed of,

Status: Point in time view as at 01/04/2010.

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the value of that consideration shall be treated as nil for the purposes of this Act.

- (3) If the disposal of a licence which, at the time of the disposal, relates to an undeveloped area is part of a larger transaction under which one party makes to another disposals of 2 or more licences, each of which at the time of the disposal relates to an undeveloped area, the reference in subsection (2)(b) above to the licensed area in relation to the licence disposed of shall be construed as a reference to the totality of the licensed areas in relation to those 2 or more licences.
- (4) In relation to a disposal of a licence which, at the time of the disposal, relates to an undeveloped area, being a disposal—
- (a) which is a part disposal of the licence in question, and
 - (b) part but not the whole of the consideration for which falls within paragraph (a) or paragraph (b) of subsection (2) above,
- section 42 shall not apply unless the amount or value of the part of the consideration which does not fall within one of those paragraphs is less than the aggregate of the amounts which, if the disposal were a disposal of the whole of the licence rather than a part disposal, would be—
- (i) the relevant allowable expenditure, as defined in section 53; and
 - (ii) the indexation allowance on the disposal.
- (5) Where section 42 has effect in relation to such a disposal as is referred to in subsection (4) above, it shall have effect as if, for subsection (2) thereof, there were substituted the following subsection—

“(2) The apportionment shall be made by reference to—

- (a) the amount or value of the consideration for the disposal on the one hand (call that amount or value A), and
- (b) the aggregate referred to in section 194(4) on the other hand (call that aggregate C),

and the fraction of the said sums allowable as a deduction in computing the amount of the gain (if any) accruing on the disposal shall be—

$$\frac{A}{C}$$

and the remainder shall be attributed to the part of the property which remains undisposed of.”

195 Allowance of certain drilling expenditure etc.

- (1) On the disposal of a licence, relevant qualifying expenditure incurred by the person making the disposal—
- (a) in searching for oil anywhere in the licensed area, or
 - (b) in ascertaining the extent or characteristics of any oil-bearing area the whole or part of which lies in the licensed area or what the reserves of oil of any such oil-bearing area are,
- shall be treated as expenditure falling within section 38(1)(b).

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- (2) Expenditure incurred as mentioned in subsection (1) above is relevant expenditure if, and only if—
- (a) it is expenditure of a capital nature on [^{F2}research and development]; and
 - [^{F3}(b) either it is expenditure in respect of which the person was entitled to an allowance under section 441 of the Capital Allowances Act (research and development allowances) for a relevant chargeable period which began before the date of the disposal or it would have been such expenditure if the trading condition had been fulfilled, and
 - (c) on the disposal, section 443 of that Act (disposal values) applies in relation to the expenditure or would apply if the trading condition had been fulfilled (and the expenditure had accordingly been qualifying expenditure under Part 6 of that Act).]
- (3) In subsection (2) above and subsection (4) below, the expression “if the trading condition had been fulfilled” means, in relation to expenditure of a capital nature on [^{F2}research and development], if, after the expenditure was incurred but before the disposal concerned was made, the person incurring the expenditure had set up and commenced a trade connected with that research [^{F4}and development]; and in subsection (2)(b) above—
- “relevant chargeable period” has the same meaning as in [^{F5}section 441 of the Capital Allowances Act]; ^{F6} ...
- ^{F6}
- (4) Relevant expenditure is qualifying expenditure only to the extent that it does not exceed the [^{F7}disposal value] which, by reason of the disposal—
- [^{F8}(a) is required to be brought into account under section 443 of the Capital Allowances Act; or
 - (b) would be required to be so brought into account if the trading condition had been fulfilled (and the expenditure had accordingly been qualifying expenditure under Part 6 of that Act).]
- ^{F9}(5)
- (6) Where, on the disposal of a licence, subsection (1) above has effect in relation to any relevant qualifying expenditure [^{F10}in respect of which the person had not in fact been entitled to an allowance] as mentioned in subsection (2)(b) above—
- (a) no allowance shall be made in respect of that expenditure under [^{F11}section 441 of the Capital Allowances Act]; ^{F12} ...
 - ^{F12}(b)
- (7) Where, on the disposal of a licence which is a part disposal, subsection (1) above has effect in relation to any relevant qualifying expenditure, then, for the purposes of section 42, that expenditure shall be treated as wholly attributable to what is disposed of (and, accordingly, shall not be apportioned as mentioned in that section).
- [^{F13}(8) In this section “research and development” has the same meaning as in [^{F14}Part 6 of the Capital Allowances Act (research and development allowances)].]

Textual Amendments

- F2** Words in s. 195(2)(3) substituted (with effect in accordance with s. 68(2) of the amending Act) by [Finance Act 2000 \(c. 17\), Sch. 19 para. 12\(2\)](#)

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- F3** S. 195(2)(b)(c) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(1\)](#)
- F4** Words in s. 195(3) inserted (with effect in accordance with s. 68(2) of the amending Act) by [Finance Act 2000 \(c. 17\), Sch. 19 para. 12\(3\)](#)
- F5** Words in s. 195(3) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(2\)\(a\)](#)
- F6** Words in s. 195(3) repealed (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(2\)\(b\), Sch. 4](#)
- F7** Words in s. 195(4) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(3\)](#)
- F8** S. 195(4)(a)(b) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(3\)](#)
- F9** S. 195(5) repealed (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(4\), Sch. 4](#)
- F10** Words in s. 195(6) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(5\)\(a\)](#)
- F11** Words in s. 195(6)(a) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(5\)\(b\)](#)
- F12** S. 195(6)(b) and preceding word omitted (22.3.2001) by virtue of [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(5\)\(c\)](#)
- F13** S. 195(8) inserted (with effect in accordance with s. 68(2) of the amending Act) by [Finance Act 2000 \(c. 17\), Sch. 19 para. 12\(4\)](#)
- F14** Words in s. 195(8) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 79\(6\)](#)

^{F15}195A Oil licence swaps

- (1) Sections 195B to 195E apply for the purposes of corporation tax on chargeable gains.
- (2) In those sections—
 - “licence-consideration swap” means a case where conditions A, B, C and D are met;
 - “mixed-consideration swap” means a case where conditions A, B, C and E are met.
- (3) Condition A is that a company (“company A”) disposes of one or more UK licences to another company (“company B”), by way of a bargain at arm's length (“disposal A”).
- (4) Condition B is that company B disposes of one or more UK licences to company A, by way of a bargain at arm's length (“disposal B”).
- (5) Condition C is that either or both of the following paragraphs applies—
 - (a) the licence, or at least one of the licences, comprised in disposal A relates to a developed area;
 - (b) the licence, or at least one of the licences, comprised in disposal B relates to a developed area.
- (6) Condition D is that both—
 - (a) disposal A is the only consideration given for disposal B, and
 - (b) disposal B is the only consideration given for disposal A.
- (7) Condition E is that either—
 - (a) disposal A is the only consideration given for disposal B, or
 - (b) disposal B is the only consideration given for disposal A,
 (and accordingly one of the disposals is part of the consideration given for the other disposal).

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- (8) In this section and sections 195B to 196 a reference to disposal of a UK licence includes—
- (a) a disposal of an interest in a UK licence, and
 - (b) a disposal of a UK licence, or an interest in a UK licence, only so far as the licence relates to part of the licensed area.

Textual Amendments

F15 Ss. 195A-195E inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 5](#)

195B Licence-consideration swap

- (1) This section applies to a licence-consideration swap.
- (2) Each company participating in the swap is to be treated as follows.
- (3) As regards the licence, or each licence, which the company disposes of, the company is to be treated as if it had disposed of that licence for a consideration of such amount as to secure that on the disposal neither a gain nor a loss accrues to the company.
- (4) In a case where the company acquires only one licence, the company is to be treated as if it had acquired the licence for a consideration of the same amount as the deemed disposal consideration.
- (5) In a case where the company acquires two or more licences, as regards each licence acquired, the company is to be treated as if it had acquired that licence for a consideration of—

$$\text{DDC} \times \text{ATA}$$

where—

DDC is the deemed disposal consideration,

A is the value of the licence acquired, and

TA is total value of all the licences acquired.

- (6) In this section “deemed disposal consideration”, in relation to a company participating in the swap, means—
 - (a) the amount of the consideration for which the company is, under subsection (3), treated as having disposed of its licence (if the company disposes of only one licence), or
 - (b) the aggregate of all such amounts (if the company disposes of two or more licences).

Textual Amendments

F15 Ss. 195A-195E inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 5](#)

Status: Point in time view as at 01/04/2010.

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195C Company that receives mixed consideration: N exceeds C

- (1) This section applies to a mixed-consideration swap if—
- (a) the no gain/no loss amount (“N”) of the company that receives the mixed consideration (“company R”), exceeds
 - (b) the amount of non-licence consideration (“C”) which company R receives.
- (2) In a case where company R acquires only one licence, company R is to be treated as if it had acquired the licence for a consideration of—

NC

- (3) In a case where company R acquires two or more licences, as regards each licence acquired, company R is to be treated as if it had acquired the licence for a consideration of—

(NC)×ATA

where—

A is the value of the licence acquired, and

TA is total value of all the licences acquired.

- (4) The disposal by company R of a licence under the swap is to be taken to be one on which neither a gain nor a loss accrues.
- (5) But (despite subsection (4)), the disposal by company R is not a no gain/no loss disposal for the purposes of section 56.
- (6) For the purposes of the application of sections 53 and 54, any enactment is to be disregarded insofar as it provides that, if the other company which acquires a licence under the swap (“company G”) subsequently disposes of the licence, company R's acquisition of the licence is to be treated as company G's acquisition of it.
- (7) In this section the reference to the no gain/no loss amount of company R is a reference to—
- (a) in a case where company R disposes of only one licence, company R's no gain/no loss amount in relation to that disposal, or
 - (b) in a case where company R disposes of two or more licences, the aggregate of company R's no gain/no loss amounts in relation to all of those disposals.

Textual Amendments

F15 Ss. 195A-195E inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 5](#)

195D Company that receives mixed consideration: N does not exceed C

- (1) This section applies to a mixed-consideration swap if—
- (a) the no gain/no loss amount (“N”) of the company that receives the mixed consideration (“company R”) does not exceed
 - (b) the amount of non-licence consideration (“C”) which company R receives.

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- (2) As regards the licence, or each licence, which company R acquires, company R is to be treated as if it had acquired the licence for nil consideration.
- (3) In a case where company R disposes of only one licence, company R is to be treated as if, on the disposal of the licence, there had arisen a gain of—

CN

- (4) In a case where company R disposes of two or more licences, as regards each licence disposed of, company R is to be treated as if, on the disposal of the licence, there had arisen a gain of—

$(CN) \times DTD$

where—

D is the value of the licence disposed of, and

TD is total value of all the licences disposed of.

Textual Amendments

F15 Ss. 195A-195E inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 5](#)

195E Company that gives mixed consideration

- (1) This section applies to a mixed-consideration swap—
 - (a) whatever the no gain/no loss amount (“N”) of the company that gives the mixed consideration (“company G”), and
 - (b) whatever the amount of the non-licence consideration (“C”) which company G gives.
- (2) In a case where company G acquires only one licence, company G is to be treated as if it had acquired the licence for a consideration of—

N+C

- (3) In a case where company G acquires two or more licences, as regards each licence acquired, company G is to be treated as if it had acquired the licence for a consideration of—

$(N+C) \times ATA$

where—

A is the value of the licence acquired, and

TA is total value of all the licences acquired.

- (4) The disposal by company G of a licence under the swap is to be taken to be one on which neither a gain nor a loss accrues.
- (5) But (despite subsection (4)), the disposal by company G is not a no gain/no loss disposal for the purposes of section 56.

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- (6) For the purposes of the application of sections 53 and 54, any enactment is to be disregarded insofar as it provides that, if the other company which acquires a licence under the swap (“company R”) subsequently disposes of the licence, company G’s acquisition of the licence is to be treated as company R’s acquisition of it.
- (7) In this section the reference to the no gain/no loss amount of company G is a reference to—
- (a) in a case where company G disposes of only one licence, company G’s no gain/no loss amount in relation to that disposal, or
 - (b) in a case where company G disposes of two or more licences, the aggregate of company G’s no gain/no loss amounts in relation to all of those disposals.]

Textual Amendments

F15 Ss. 195A-195E inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 5](#)

196 Interpretation of sections 194 ^{F16}to 195E].

- (1) For the purposes of section 194 ^{F17}and this section], a ^{F18}UK licence] relates to an undeveloped area at any time if—
- (a) for no part of the licensed area has consent for development been granted to the licensee by the Secretary of State on or before that time; and
 - (b) for no part of the licensed area has a programme of development been served on the licensee or approved by the Secretary of State on or before that time.
- ^{F19}(1A) For the purposes of section 194 a licence other than a UK licence relates to an undeveloped area at any time if, at that time—
- (a) no development has actually taken place in any part of the licensed area; and
 - (b) no condition for the carrying out of development anywhere in that area has been satisfied—
 - (i) by the grant of any consent by the authorities of a country or territory exercising jurisdiction in relation to the area; or
 - (ii) by the approval or service on the licensee, by any such authorities, of any programme of development.]
- ^{F20}(1B) In sections 195A to 195E, a reference to a UK licence that relates to a developed area is a reference to any UK licence apart from one that relates to an undeveloped area.]
- (2) Subsections (4) and (5) of section 36 of the ^{M1}Finance Act 1983 (meaning of “development”) shall have effect in relation to ^{F21}subsections (1) ^{F22}to (1B)] above] as they have effect in relation to subsection (2) of that section.
- (3) In relation to a licence under the ^{M2}Petroleum (Production) Act (Northern Ireland) 1964 any reference in subsection (1) ^{F23}or (1B)] above to the Secretary of State shall be construed as a reference to the Department of Economic Development.
- (4) In relation to a disposal to which section 194 applies of a licence under which the buyer acquires an interest in the licence only so far as it relates to part of the licensed area, any reference in subsection (1) or subsection (3) of that section or subsection (1) above to the licensed area shall be construed as a reference only to that part of the licensed area to which the buyer’s acquisition relates.

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[^{F24}(5) In sections 194 [^{F25}to 195E] and this section—

“foreign oil concession” means any right to search for or win overseas petroleum, being a right conferred or exercisable (whether or not by virtue of a licence) in relation to a particular area;

“interest” in relation to a licence, includes, where there is an agreement which—

- (a) relates to oil from the whole or any part of the licensed area, and
- (b) was made before the extraction of the oil to which it relates,

any entitlement under that agreement to, or to a share of, either that oil or the proceeds of its sale;

“licence” means any UK licence or foreign oil concession;

[^{F26}“licence-consideration swap” has the meaning given in section 195A(2);]

“licensed area” (subject to subsection (4) above)—

- (a) in relation to a UK licence, has the same meaning as in Part I of the ^{M3}Oil Taxation Act 1975; and
- (b) in relation to a foreign oil concession, means the area to which the concession applies;

“licensee”—

- (a) in relation to a UK licence, has the same meaning as in Part I of the Oil Taxation Act 1975; and
- (b) in relation to a foreign oil concession, means the person with the concession or any person having an interest in it;

[^{F27}“mixed consideration” means consideration that consists partly of disposal of a UK licence;]

[^{F27}“mixed-consideration swap” has the meaning given in section 195A(2);]

[^{F27}“no gain/no loss amount”, in relation to a company that disposes of a UK licence, means the amount that would be taken to be the consideration for the disposal if section 56(2) applied to the disposal;]

[^{F27}“non-licence consideration” means consideration that does not consist of disposal of a UK licence, as determined at the time the swap arrangements are entered into;]

“oil”—

- (a) except in relation to a UK licence, means any petroleum (within the meaning of [^{F28}Part I of the Petroleum Act 1998]); and
- (b) in relation to such a licence, has the same meaning as in Part I of the Oil Taxation Act 1975;

“overseas petroleum” means any oil that exists in its natural condition at a place to which neither [^{F28}Part I of the Petroleum Act 1998] nor the ^{M4}Petroleum (Production) Act (Northern Ireland) 1964 applies; and

[^{F27}“swap arrangements”, in relation to a licence-consideration swap or a mixed-consideration swap, means the arrangements under which the swap takes place;]

“UK licence” means a licence within the meaning of Part I of the ^{M5}Oil Taxation Act 1975.

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(5A) References in sections 194 and 195 to a part disposal of a licence shall include references to the disposal of any interest in a licence.]

[^{F29}(5B) In any of sections 195B to 195E, a reference to the value of a licence comprised in disposal A or disposal B (see section 195A) is a reference to the value of the licence as determined under the swap arrangements at the time the swap arrangements are entered into.]

(6) In section 194—

- (a) “exploration work”, in relation to any area, means work carried out for the purpose of searching for oil anywhere in that area;
- (b) “appraisal work”, in relation to any area, means work carried out for the purpose of ascertaining the extent or characteristics of any oil-bearing area the whole or part of which lies in the area concerned or what the reserves of oil of any such oil-bearing area are.

Textual Amendments

- F16** Words in s. 196 heading substituted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 6\(2\)](#)
- F17** Words in s. 196(1) inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 6\(3\)](#)
- F18** Words in s. 196(1) substituted (with effect in accordance with s. 181(4) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [s. 181\(1\)](#)
- F19** S. 196(1A) inserted (with effect in accordance with s. 181(4) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [s. 181\(2\)](#)
- F20** S. 196(1B) inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 6\(4\)](#)
- F21** Words in s. 196(2) substituted (with effect in accordance with [s. 181\(4\)](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [s. 181\(2\)](#)
- F22** Words in s. 196(2) substituted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 6\(5\)](#)
- F23** Words in s. 196(3) substituted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 6\(6\)](#)
- F24** S. 196(5)(5A) substituted for s. 196(5) (retrospectively and with effect in accordance with [s. 181\(4\)\(5\)](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [s. 181\(3\)](#)
- F25** Words in s. 196(5) substituted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 6\(7\)\(a\)](#)
- F26** Words in s. 196(5) inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 6\(7\)\(b\)](#)
- F27** Words in s. 196(5) inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 6\(7\)\(c\)](#)
- F28** Words in s. 196(5) substituted (15.2.1999) by [Petroleum Act 1998 \(c. 17\)](#), [s. 52\(4\)](#), [Sch. 4 para. 32\(3\)](#) (with [Sch. 3](#)); [S.I. 1999/161](#), art. 2(1)
- F29** S. 196(5B) inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 6\(8\)](#)

Marginal Citations

- M1** 1983 c. 28.
- M2** 1964 c. 28 (N.I.).
- M3** 1975 c. 22.
- M4** 1964 c. 28 (N.I.).

Status: Point in time view as at 01/04/2010.

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M5 1975 c. 22.

197 Disposals of interests in oil fields etc: ring fence provisions.

- (1) This section applies where in pursuance of a transfer by a participator in an oil field of the whole or part of his interest in the field, there is—
 - (a) a disposal of an interest in oil to be won from the oil field; or
 - (b) a disposal of an asset used in connection with the field;and section 12 of the ^{M6}Oil Taxation Act 1975 (interpretation of Part I of that Act) applies for the interpretation of this subsection and the reference to the transfer by a participator in an oil field of the whole or part of his interest in the field shall be construed in accordance with paragraph 1 of Schedule 17 to the ^{M7}Finance Act 1980.
- (2) In this section “material disposal” means—
 - (a) a disposal falling within paragraph (a) or paragraph (b) of subsection (1) above; or
 - (b) the sale of an asset referred to in section ^{F30}... 179(3) where the asset was acquired by the chargeable company (within the meaning of that section) on a disposal falling within one of those paragraphs.
- (3) For any chargeable period in which a chargeable gain or allowable loss accrues to any person (“the chargeable person”) on a material disposal (whether taking place in that period or not), subject to subsection (6) below there shall be aggregated—
 - (a) the chargeable gains accruing to him in that period on such disposals, and
 - (b) the allowable losses accruing to him in that period on such disposals,and the lesser of the 2 aggregates shall be deducted from the other to give an aggregate gain or, as the case may be, an aggregate loss for that chargeable period.
- (4) For the purposes of tax in respect of chargeable gains—
 - (a) the several chargeable gains and allowable losses falling within paragraphs (a) and (b) of subsection (3) above shall be left out of account; and
 - (b) the aggregate gain or aggregate loss referred to in that subsection shall be treated as a single chargeable gain or allowable loss accruing to the chargeable person in the chargeable period concerned on the notional disposal of an asset; and
 - (c) if in any chargeable period there is an aggregate loss, then, except as provided by subsection (5) below, it shall not be allowable as a deduction against any chargeable gain arising in that or any later period, other than an aggregate gain treated as accruing in a later period by virtue of paragraph (b) above (so that the aggregate gain of that later period shall be reduced or extinguished accordingly); and
 - (d) if in any chargeable period there is an aggregate gain, no loss shall be deducted from it except in accordance with paragraph (c) above; and
 - (e) without prejudice to any indexation allowance which was taken into account in determining an aggregate gain or aggregate loss under subsection (3) above, no further indexation allowance shall be allowed on a notional disposal referred to in paragraph (b) above.
- (5) In any case where—
 - (a) by virtue of subsection (4)(b) above, an aggregate loss is treated as accruing to the chargeable person in any chargeable period, and

Status: Point in time view as at 01/04/2010.

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- (b) before the expiry of the period of 2 years beginning at the end of the chargeable period concerned, the chargeable person makes a claim under this subsection, the whole, or such portion as is specified in the claim, of the aggregate loss shall be treated for the purposes of this Act as an allowable loss arising in that chargeable period otherwise than on a material disposal.
- (6) In any case where a loss accrues to the chargeable person on a material disposal made to a person who is connected with him—
- (a) the loss shall be excluded from those referred to in paragraph (b) of subsection (3) above and, accordingly, shall not be aggregated under that subsection; and
 - (b) except as provided by subsection (7) below, section 18 shall apply in relation to the loss as if, in subsection (3) of that section, any reference to a disposal were a reference to a disposal which is a material disposal; and
 - (c) to the extent that the loss is set against a chargeable gain by virtue of paragraph (b) above, the gain shall be excluded from those referred to in paragraph (a) of subsection (3) above and, accordingly, shall not be aggregated under that subsection.
- (7) In any case where—
- (a) the losses accruing to the chargeable person in any chargeable period on material disposals to a connected person exceed the gains accruing to him in that chargeable period on material disposals made to that person at a time when they are connected persons, and
 - (b) before the expiry of the period of 2 years beginning at the end of the chargeable period concerned, the chargeable person makes a claim under this subsection, the whole, or such part as is specified in the claim, of the excess referred to in paragraph (a) above shall be treated for the purposes of section 18 as if it were a loss accruing on a disposal in that chargeable period, being a disposal which is not a material disposal and which is made by the chargeable person to the connected person referred to in paragraph (a) above.
- (8) Where a claim is made under subsection (5) or subsection (7) above, all such adjustments shall be made whether by way of discharge or repayment of tax or otherwise, as may be required in consequence of the operation of that subsection.

Textual Amendments

F30 Words in s. 197(2)(b) repealed (28.7.2000) by [Finance Act 2000 \(c. 17\)](#), [Sch. 40 Pt. II\(12\)](#)

Marginal Citations

M6 1975 c. 22.

M7 1980 c. 48.

198 Replacement of business assets used in connection with oil fields.

- (1) If the consideration which a person obtains on a material disposal is applied, in whole or in part, as mentioned in subsection (1) of section 152 or 153, that section shall not apply unless the new assets are taken into use, and used only, for the purposes of the ring fence trade.
- (2) Subsection (1) above has effect notwithstanding subsection (8) of section 152.

Status: Point in time view as at 01/04/2010.

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[^{F31}(2A) But subsection (1) is subject to section 198A(3)(a).]

[^{F32}(3) Where—

- (a) section 152 or 153 applies in relation to any of the consideration on a material disposal, and
- (b) the asset which constitutes the new assets for the purposes of that section is a depreciating asset,

section 154(2)(b) is to have effect as if the reference to a trade carried on by the claimant were a reference solely to the claimant's ring fence trade.]

(4) In any case where sections 152 to 154 have effect in accordance with subsections (1) to (3) above, the operation of section 175 shall be modified as follows—

- (a) only those members of a group which actually carry on a ring fence trade shall be treated for the purposes of those sections as carrying on a single trade which is a ring fence trade; and
- (b) only those activities which, in relation to each individual member of the group, constitute its ring fence trade shall be treated as forming part of that single trade.

(5) In this section—

- (a) “material disposal” has the meaning assigned to it by section 197; and
- (b) “ring fence trade” means a trade consisting of [^{F33}activities falling within the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or section 274 of CTA 2010].

Textual Amendments

F31 S. 198(2A) inserted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 11](#)

F32 S. 198(3) substituted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 10](#)

F33 Words in s. 198(5)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), [s. 1184\(1\)](#), [Sch. 1 para. 248](#) (with [Sch. 2](#))

[^{F34}**198A Ring fence reinvestment: whole consideration reinvested**

(1) This section applies if a person (“P”) makes a disposal and acquisition which—

- (a) is a ring fence reinvestment, and
- (b) qualifies for roll-over relief.

(2) P may make a claim under this section in relation to the disposal and acquisition.

(3) If P makes a claim under this section—

- (a) section 152 does not apply to any of the disposal consideration, and
- (b) any gain accruing to P on the disposal is not a chargeable gain.

(4) In this section “disposal consideration” means the whole of the consideration obtained on the disposal made by P.

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Textual Amendments

F34 Ss. 198A-198G inserted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 12](#)

198B Ring fence reinvestment: part of consideration reinvested

- (1) This section applies if a person (“P”) makes a disposal and acquisition which—
 - (a) is a ring fence reinvestment, and
 - (b) qualifies for section 153 relief.
- (2) P may make a claim under this section in relation to the disposal and acquisition.
- (3) If P makes a claim under this section—
 - (a) section 153(1)(a) applies in relation to P and the disposal, but
 - (b) section 153(1)(b) does not apply to P and the acquisition.

Textual Amendments

F34 Ss. 198A-198G inserted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 12](#)

198C Provisional application of sections 198A and 198B

- (1) This section applies where a person (“P”) carrying on a ring fence trade who for a consideration disposes of, or of an interest in, any assets (“the old assets”) declares, in P'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 in the acquisition of, or of an interest in, other assets (“the new assets”),
 - (b) that the acquisition will take place as mentioned in section 152(3),
 - (c) that the disposal and acquisition will be a ring fence reinvestment,
 - (d) that P intends to make a claim under section 198A or 198B in relation to the disposal and acquisition, and
 - (e) that P has not made, and will not make, a declaration under section 153A in relation to the disposal and acquisition.
- (2) Until the declaration ceases to have effect, section 198A or 198B applies as if the acquisition had taken place and the person had made a claim under that section.
- (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 made under section 198A or 198B, 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.
- (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

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- (b) are to be so made despite any limitation on the time within which assessments or amendments may be made.
- (5) If—
- (a) P makes a declaration under this section, and
 - (b) the disposal and acquisition is not a ring fence reinvestment, but qualifies for roll-over relief or section 153 relief,
- on P making a claim, the declaration is to have effect as also a declaration under section 153A.
- (6) In this section “the relevant day” means—
- (a) in relation to capital gains tax, the third anniversary of the 31st January next following the year of assessment in which the disposal of, or of the interest in, the old assets took place, and
 - (b) in relation to corporation tax, the fourth anniversary of the last day of the accounting period in which that disposal took place.
- (7) Section 152(6), (10) and (11) apply for the purposes of this section as they apply for the purposes of section 152.

Textual Amendments

F34 Ss. 198A-198G inserted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 12](#)

198D No double claims

- (1) If P makes a claim under section 198A or 198B, no other relevant claim may be made in respect of the relevant acquisition.
- (2) P may make a claim under section 198A or 198B (“the new claim”), if P has previously made a claim under section 152 or 153 (“the previous claim”) in respect of the relevant acquisition.
- (3) But P may make the new claim only if the previous claim is withdrawn at or before the time the new claim is made.
- (4) If the new claim is made in accordance with subsections (2) and (3), 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—
 - “relevant acquisition” means the acquisition of the new assets that is comprised in the disposal and acquisition to which a claim under section 198A or 198B or declaration under section 198C relates;
 - “relevant claim” means a claim under section 152, 153, 198A or 198B.

Status: Point in time view as at 01/04/2010.

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Textual Amendments

F34 Ss. 198A-198G inserted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by Finance Act 2009 (c. 10), **Sch. 40 para. 12**

198E Ring fence reinvestments and disposal consideration

- (1) This section applies for the purposes of sections 198A to 198G.
- (2) A disposal and acquisition is a ring fence reinvestment if—
 - (a) the disposal was—
 - (i) a material disposal, or
 - (ii) a disposal of a UK licence which relates to an undeveloped area,
 - (b) the old assets were used only for the purposes of P's ring fence trade,
 - (c) the new assets are taken into use, and used only, for the purposes of one or more of the following trades—
 - (i) P's ring fence trade;
 - (ii) if P is a member of a group of companies (within the meaning given in section 170), a ring fence trade of another member of that group, and
 - (d) the new assets are oil assets.
- (3) If the disposal consists of—
 - (a) disposal of a licence to which section 195D(3) applies, or
 - (b) disposal of two or more licences to which section 195D(4) applies,
 the consideration for the disposal is to be taken to be the whole of the non-licence consideration obtained on the disposal (which is referred to as “C” in section 195D).
- (4) Accordingly, in sections 198A to 198G (including section 198A(4)), any reference to the consideration obtained on the disposal has effect subject to subsection (3).
- (5) Each of the following is an “oil asset” for the purposes of this section—
 - (a) an interest in oil to be won from an oil field,
 - (b) an asset used in connection with an oil field,
 - (c) a structure which is to be placed on the seabed of the United Kingdom continental shelf,
 - (d) an asset used wholly in the winning of oil, or in the measuring of oil won, in the United Kingdom otherwise than from an oil field,
 - (e) an asset used for the initial treatment or storage of oil in the United Kingdom,
 - (f) an asset used for the transportation of oil from an oil field to the United Kingdom, and
 - (g) a UK licence which relates to an undeveloped area.
- (6) Section 12 of the Oil Taxation Act 1975 (interpretation of Part 1 of that Act) applies for the interpretation of subsection (5)(a) to (f).
- (7) Expressions used in this section and in section 152 have the same meanings in this section as in section 152.
- (8) In this section a reference to a UK licence which relates to an undeveloped area has the same meaning as in section 194 (see section 196).

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(9) In this section—

“material disposal” has the meaning given in section 197;

“ring fence trade” has the meaning given in section 198.

Textual Amendments

F34 Ss. 198A-198G inserted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by Finance Act 2009 (c. 10), **Sch. 40 para. 12**

198F Qualification for roll-over relief

- (1) This section applies for the purposes of sections 198A and 198B and section 198G.
- (2) A disposal and acquisition qualifies for roll-over relief if—
 - (a) the consideration for the disposal is applied in an acquisition as mentioned in section 152(1), and
 - (b) section 152(1)(a) and (b) would apply to the disposal and acquisition if the appropriate claim were made.
- (3) Subsections (4) to (6) apply in deciding whether a disposal and acquisition is one that qualifies for roll-over relief.
- (4) Section 152(8) is to be disregarded.
- (5) Section 198A is to be disregarded.
- (6) Subject to subsections (4) to (5), all the circumstances are to be taken into account, including section 153(1) and section 198(1) and (2).

Textual Amendments

F34 Ss. 198A-198G inserted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by Finance Act 2009 (c. 10), **Sch. 40 para. 12**

198G Qualification for section 153 relief

- (1) This section applies for the purposes of sections 198B and 198C.
- (2) A disposal and acquisition qualifies for section 153 relief if—
 - (a) section 153(1) applies to part of the amount or value of the consideration for the disposal,
 - (b) section 153(1)(a) and (b) would apply to the disposal and acquisition if the appropriate claim were made, and
 - (c) the disposal and acquisition would qualify for roll-over relief but for the disapplication of section 152(1) by section 153(1).
- (3) Subsections (4) to (6) apply in deciding whether a disposal and acquisition is one that qualifies for section 153 relief.
- (4) Section 153(2) has effect subject to section 198F(4) and (5).
- (5) Section 198B is to be disregarded.

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- (6) Subject to subsections (4) and (5), all the circumstances are to be taken into account, including section 198(1).]

Textual Amendments

F34 Ss. 198A-198G inserted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 12](#)

199 Exploration or exploitation assets: deemed disposals

- (1) Where an exploration or exploitation asset which is a mobile asset ceases to be chargeable in relation to a person by virtue of ceasing to be dedicated to an oil field in which he, or a person connected with him, is or has been a participator, he shall be deemed for all purposes of this Act—
- (a) to have disposed of the asset immediately before the time when it ceased to be so dedicated, and
 - (b) immediately to have reacquired it, at its market value at that time.
- (2) Where a person who is not resident and not ordinarily resident in the United Kingdom ceases to carry on a trade in the United Kingdom through a branch or agency, he shall be deemed for all purposes of this Act—
- (a) to have disposed immediately before the time when he ceased to carry on the trade in the United Kingdom through a branch or agency of every asset to which subsection (3) below applies, and
 - (b) immediately to have reacquired every such asset, at its market value at that time.
- (3) This subsection applies to any exploration or exploitation asset, other than a mobile asset, used in or for the purposes of the trade at or before the time of the deemed disposal.
- (4) A person shall not be deemed by subsection (2) above to have disposed of an asset if, immediately after the time when he ceases to carry on the trade in the United Kingdom through a branch or agency, the asset is used in or for the purposes of exploration or exploitation activities carried on by him in the United Kingdom or a designated area.
- (5) Where in a case to which subsection (4) above applies the person ceases to use the asset in or for the purposes of exploration or exploitation activities carried on by him in the United Kingdom or a designated area, he shall be deemed for all purposes of this Act—
- (a) to have disposed of the asset immediately before the time when he ceased to use it in or for the purposes of such activities, and
 - (b) immediately to have reacquired it, at its market value at that time.
- (6) For the purposes of this section an asset is at any time a chargeable asset in relation to a person if, were it to be disposed of at that time, any chargeable gains accruing to him on the disposal—
- (a) would be gains in respect of which he would be chargeable to capital gains tax under section 10(1), or

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- (b) would form part of his chargeable profits for corporation tax purposes by virtue of section [F3510B].
- (7) In this section—
- (a) “exploration or exploitation asset” means an asset used in connection with exploration or exploitation activities carried on in the United Kingdom or a designated area;
 - (b) “designated area” and “exploration or exploitation activities” have the same meanings as in section 276; and
 - (c) the expressions “dedicated to an oil field” and “participator” shall be construed as if this section were included in Part I of the ^{M8}Oil Taxation Act 1975.

Textual Amendments

F35 Word in s. 199(6)(b) substituted (with effect in accordance with s. 155(2) of the amending Act) by [Finance Act 2003 \(c. 14\), Sch. 27 para. 2\(3\)](#)

Modifications etc. (not altering text)

C1 S. 199(2)(4) modified (with effect in accordance with s. 153(4) of the amending Act) by [Finance Act 2003 \(c. 14\), s. 153\(2\)\(b\)](#)

Marginal Citations

M8 1975 c. 22.

F36 **200** **Limitation of losses on disposal of oil industry assets held on 31st March 1982.**

Textual Amendments

F36 S. 200 repealed (with effect in accordance with s. 93(11) of the amending Act) by [Finance Act 1994 \(c. 9\), s. 93\(7\), Sch. 26 Pt. V\(8\)](#) (with [Sch. 12](#))

Mineral leases

201 **Royalties.**

- (1) A person resident or ordinarily resident in the United Kingdom who in any chargeable period is entitled to receive any mineral royalties under a mineral lease or agreement shall be treated for the purposes of this Act as if there accrued to him in that period a chargeable gain equal to one-half of the total of the mineral royalties receivable by him under that lease or agreement in that period.

^{F37}(2)

- (3) The amount of the chargeable gain treated as accruing to any person by virtue of subsection (1) above shall, notwithstanding any other provision of this Act, be the whole amount calculated in accordance with that subsection, and, accordingly, no

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reduction shall be made on account of expenditure incurred by that person or of any other matter whatsoever.

- (4) In any case where, before the commencement of section 122 of the Taxes Act, for the purposes of the 1979 Act or corporation tax on chargeable gains a person was treated as if there had accrued to him in any chargeable period ending before 6th April 1988 a chargeable gain equal to the relevant fraction, determined in accordance with section 29(3)(b) of the ^{M9}Finance Act 1970, of the total of the mineral royalties receivable by him under that lease or agreement in that period, subsection (1) above shall have effect in relation to any mineral royalties receivable by him under that lease or agreement in any later chargeable period with the substitution for the reference to one-half of a reference to the relevant fraction as so determined.

Textual Amendments

F37 S. 201(2) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), Sch. 1 para. 377, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Marginal Citations

M9 1970 c.24.

202 Capital losses.

- (1) This section has effect in relation to capital losses which accrue during the currency of a mineral lease or agreement, and applies in any case where, at the time of the occurrence of a relevant event in relation to a mineral lease or agreement, the person who immediately before that event occurred was entitled to receive mineral royalties under the lease or agreement (“the taxpayer”) has an interest in the land to which the mineral lease or agreement relates (“the relevant interest”).
- (2) For the purposes of this section, a relevant event occurs in relation to a mineral lease or agreement—
- (a) on the expiry or termination of the mineral lease or agreement;
 - (b) if the relevant interest is disposed of, or is treated as having been disposed of by virtue of any provision of this Act.
- (3) On the expiry or termination of a mineral lease or agreement the taxpayer shall, if he makes a claim in that behalf, be treated for purposes of tax in respect of chargeable gains as if he had disposed of and immediately reacquired the relevant interest for a consideration equal to its market value, but a claim may not be made under this subsection—
- (a) if the expiry or termination of the mineral lease or agreement is also a relevant event falling within subsection (2)(b) above; nor
 - (b) unless, on the notional disposal referred to above, an allowable loss would accrue to the taxpayer.
- (4) In this section “the terminal loss”, in relation to a relevant event in respect of which a claim is made under subsection (3) above, means the allowable loss which accrues to the taxpayer by virtue of the notional disposal occurring on that relevant event by virtue of that subsection.

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- (5) On making a claim under subsection (3) above, the taxpayer shall specify whether he requires the terminal loss to be dealt with in accordance with subsection (6) or subsections (9) to (11) below.
- (6) Where the taxpayer requires the loss to be dealt with in accordance with this subsection it shall be treated as an allowable loss accruing to him in the chargeable period in which the mineral lease or agreement expires.
- (7) If on the occurrence of a relevant event falling within subsection (2)(b) above, an allowable loss accrues to the taxpayer on the disposal or notional disposal which constitutes that relevant event, the taxpayer may make a claim under this subsection requiring the loss to be dealt with in accordance with subsections (9) to (11) below and not in any other way.
- (8) In subsections (9) to (11) below “the terminal loss” in relation to a relevant event in respect of which a claim is made under subsection (7) above means the allowable loss which accrues to the taxpayer as mentioned in that subsection.
- (9) Where, as a result of a claim under subsection (3) or (7) above, the terminal loss is to be dealt with in accordance with this subsection, then, subject to subsection (10) below, it shall be deducted from or set off against the amount on which the taxpayer was chargeable to capital gains tax, or as the case may be corporation tax, for chargeable periods preceding that in which the relevant event giving rise to the terminal loss occurred and falling wholly or partly within the period of 15 years ending with the date of that event.
- (10) The amount of the terminal loss which, by virtue of subsection (9) above, is to be deducted from or set off against the amount on which the taxpayer was chargeable to capital gains tax, or as the case may be corporation tax, for any chargeable period shall not exceed the amount of the gain which in that period was treated, by virtue of section 201(1), as accruing to the taxpayer in respect of mineral royalties under the mineral lease or agreement in question; and subject to this limit any relief given to the taxpayer by virtue of subsection (9) above shall be given as far as possible for a later rather than an earlier chargeable period.
- (11) If in any case where relief has been given to the taxpayer in accordance with subsections (9) and (10) above there remains an unexpended balance of the terminal loss which cannot be applied in accordance with those subsections, there shall be treated as accruing to the taxpayer in the chargeable period in which the relevant event occurs an allowable loss equal to that unexpended balance.

203 Provisions supplementary to sections 201 and 202.

- [^{F38}(1) Sections 274 to 276 of CTA 2009 (meaning of “mineral royalties” etc) apply for the interpretation of this section and sections 201 and 202 as they apply for the interpretation of Chapter 7 of Part 4 of CTA 2009.]
- (2) No claim under section 202(3) or (7) shall be allowed unless it is made within [^{F39}4 years] from the date of the relevant event by virtue of which the taxpayer is entitled to make the claim.
- (3) All such repayments of tax shall be made as may be necessary to give effect to any such claim.

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Textual Amendments

- F38** S. 203(1) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 378** (with Sch. 2 Pts. 1, 2)
- F39** Words in s. 203(2) substituted (1.4.2010) by [Finance Act 2008 \(c. 9\)](#), s. 118(2), **Sch. 39 para. 29**; [S.I. 2009/403](#), art. 2(2) (with art. 10)

Status:

Point in time view as at 01/04/2010.

Changes to legislation:

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