



Energy (Oil and Gas) Profits Levy Act 2022

2022 CHAPTER 40

Financing and decommissioning costs

8 Meaning of “financing costs” etc

- (1) This section applies for the purposes of this Act.
- (2) “Financing costs” means the costs of debt finance.
- (3) In calculating the costs of debt finance for an accounting period of a company 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 right-of-use lease which is a long funding finance lease, any costs falling, in accordance with generally accepted accounting practice, to be treated in the accounts of the company as interest expenses,
 - (f) 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 amount any reductions falling to be made as a result of section 379 of CTA 2010 (lessee under long funding operating lease)), and
 - (g) any other costs arising from what would be considered in accordance with generally accepted accounting practice to be a financing transaction.

Changes to legislation: There are currently no known outstanding effects for the Energy (Oil and Gas) Profits Levy Act 2022, Cross Heading: Financing and decommissioning costs. (See end of Document for details)

- (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, or an interest expense, 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 qualifying levy profits or loss 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 qualifying levy profits or loss of the company for any qualifying accounting period.
- (6) In this section “finance lease” means a lease which—
- (a) under generally accepted accounting practice—
 - (i) falls (or would fall) to be treated, in the accounts of the lessee or a person connected with the lessee, as a finance lease or loan, or
 - (ii) is comprised in arrangements which fall (or would fall) to be so treated, or
 - (b) if the lease is a right-of-use lease—
 - (i) would fall to be treated in those accounts as a finance lease, or
 - (ii) is comprised in arrangements which would fall to be so treated,
 were the lessee or person connected with the lessee required under generally accepted accounting practice to determine whether the lease falls, or arrangements 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) 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,
 - “lease” means any arrangements which provide for an asset to be leased or otherwise made available by a person to another person (“the lessee”), and
 - “long funding finance lease”, “long funding operating lease” and “right-of-use lease” have the meanings given in Part 2 of CAA 2001 (see section 70YI(1) of that Act).

Changes to legislation: There are currently no known outstanding effects for the Energy (Oil and Gas) Profits Levy Act 2022, Cross Heading: Financing and decommissioning costs. (See end of Document for details)

Commencement Information

II S. 8 in force at Royal Assent

9 Meaning of “decommissioning costs”

- (1) This section applies for the purposes of this Act.
- (2) “Decommissioning costs” means any expenditure which—
 - (a) is decommissioning expenditure or site restoration expenditure, and
 - (b) qualifies for a capital allowance.
- (3) In this section “decommissioning expenditure” means expenditure incurred in connection with—
 - (a) demolishing plant or machinery,
 - (b) preserving plant or machinery pending its reuse or demolition,
 - (c) preparing plant or machinery for reuse, or
 - (d) arranging for the reuse of plant or machinery,and the expression “plant or machinery” has the same meaning here as it has in Part 2 of CAA 2001.
- (4) In determining whether expenditure is incurred on preserving plant or machinery pending its reuse or demolition, it does not matter whether the plant or machinery is reused, is demolished or is partly reused and partly demolished.
- (5) In determining whether expenditure is incurred on preparing plant or machinery for reuse, or on arranging for the reuse of plant or machinery, it does not matter whether the plant or machinery is in fact reused.
- (6) In this section “site restoration expenditure” means expenditure which is incurred on the restoration of—
 - (a) the site of a source to the working of which the ring fence trade concerned relates (or related), or
 - (b) land used in connection with working such a source.
- (7) For this purpose “restoration” includes the matters set out in section 416ZA(7) of CAA 2001.

Commencement Information

I2 S. 9 in force at Royal Assent

Changes to legislation:

There are currently no known outstanding effects for the Energy (Oil and Gas) Profits Levy Act 2022, Cross Heading: Financing and decommissioning costs.