

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1987, SCHEDULE 13. (See end of Document for details)*

## SCHEDULES

### SCHEDULE 13

Section 64.

#### RELIEF FOR RESEARCH EXPENDITURE

#### PART I

#### SECTION TO BE INSERTED AFTER SECTION 5A OF THE PRINCIPAL ACT

**Modifications etc. (not altering text)**

- C1** The text of Sch. 13 Pt. I is in the form in which it was originally enacted: it was not reproduced in Statutes in Force and does not reflect any amendments or repeals which may have been made prior to 1.2.1991

**Allowance of research expenditure.**

- “5B (1) Subject to the following provisions of this section and Schedule 7 to this Act, the research expenditure which is allowable in the case of a person who is a participator in an oil field is any expenditure (whether or not of a capital nature) which—
- (a) is incurred by him on or after 17th March 1987; and
  - (b) at the expiry of the period of three years from the time at which it was incurred, has not become allowable under section 3 or section 4 of this Act or section 3 of the Oil Taxation Act 1983; and
  - (c) was not incurred for purposes relating to a particular oil field; and
  - (d) was not incurred wholly and exclusively for one or more of the purposes which, subject to subsection (2) below, are specified in section 5A(2) of this Act; and
  - (e) was incurred for the purpose of research of a such a description that, if it had been incurred by the participator in relation to a particular field, it would have been allowable for that field under section 3 or section 4 of this Act or section 3 of the Oil Taxation Act 1983; and
  - (f) was incurred wholly or partly for United Kingdom purposes.
- (2) For the purposes only of subsection (1)(d) above, any reference in section 5A(2) of this Act to the territorial sea of the United Kingdom shall be taken to include a reference to the United Kingdom itself.
- (3) Where expenditure falling within paragraphs (a) to (e) of subsection (1) above is incurred partly for United Kingdom purposes and partly for other purposes, only such part of the expenditure as it is just and reasonable to apportion to United Kingdom purposes shall be allowable by virtue of this section.
- (4) In subsections (1)(f) and (3) above, “United Kingdom purposes” means purposes relating to the United Kingdom, the territorial sea thereof or designated areas, excluding any sector which, by virtue of subsection (3)(b) of section 107 of the Finance Act 1980 (transmedian fields), is deemed to be a designated area.
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- (5) Expenditure is not allowable under this section if, or to the extent that, it has been allowed under Schedule 5, Schedule 6 or Schedule 7 to this Act for or in connection with an oil field.
- (6) To the extent that it is reasonable to assume that expenditure which, apart from this subsection, would be allowable under this section has been incurred for purposes relating to excluded oil, within the meaning of section 10(1) of this Act, that expenditure is not allowable under this section.
- (7) Subject to subsection (3) above, subsections (2) and (6) of section 5 of this Act apply for the purposes of this section as they apply for the purposes of that section except that—
- (a) any reference in subsection (2) of section 5 to the purpose mentioned in subsection (1)(b) of that section shall be construed as a reference to the purpose referred to in subsection (1)(e) of this section;
  - (b) the reference in paragraph (a) of subsection (2) to subsection (1) of that section shall be construed as a reference to subsection (1) of this section; and
  - (c) where any expenditure falls to be apportioned under subsection (3) of this section, any receipt to which it gives rise shall be similarly apportioned in the application of subsection (6) of section 5.
- (8) Paragraph 2 of Schedule 4 to this Act applies in relation to this section as it applies in relation to sections 3 and 4 of this Act.”

## PART II

### AMENDMENTS RELATING TO THE NEW ALLOWANCE

#### *The principal Act*

- 1 In section 2(9) of the principal Act (amounts to be taken into account in respect of expenditure) at the end of paragraph (f) there shall be added “and
- (g) any research expenditure allowable in the case of the participator under section 5B of this Act which, on a claim made by him under Schedule 7 to this Act, has been allowed under that Schedule before the Board have made an assessment to tax or a determination on or in relation to him for the period in respect of the field, so far as that expenditure has not been taken into account in any previous assessment to tax or determination.”

**Modifications etc. (not altering text)**

- C2** Part of the text of Sch. 13 Pt. II paras. 1, 7 is in the form in which it was originally enacted: it was not reproduced in Statutes in Force and does not reflect any amendments or repeals which may have been made prior to 1.2.1991

- 2 In section 3 of that Act, in subsection (3) (expenditure not allowable under that section if already allowed under other provisions) after the words “section 5A” there should be inserted “ or section 5B ”.
- 3 In section 9 of that Act (limit on amount of tax payable) in subsection (2)(a)(ii) for the words “and (f)” there shall be inserted “ (f) and (g) ”.

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- 4 In paragraph 2 of Schedule 2 to that Act (returns by participators) in subparagraph (2A) (initial return to include particulars of certain expenditure already claimed) for the words “exploration and appraisal expenditure to which section 5A” there shall be substituted “expenditure to which section 5A or section 5B”.
- 5 (1) In Schedule 7 to that Act (claim for allowance of certain exploration expenditure etc.) at the end of paragraph 1(1)(b) there shall be added “or  
(c) of any research expenditure allowable under section 5B of this Act”.
- (2) In paragraph 1(3) of that Schedule after the words “section 5A” there shall be inserted “or section 5B”.

*The Petroleum Revenue Tax Act 1980*

- 6 In the Schedule to the <sup>M1</sup>Petroleum Revenue Tax Act 1980 (computation of payment on account) in paragraph 2(4) for the words “or (f)” there shall be substituted “(f) or (g)”.

**Marginal Citations**

**M1** 1980 c. 1.

*The Finance Act 1980*

- 7 In Schedule 17 to the <sup>M2</sup>Finance Act 1980 (transfers of interests in oil fields) after paragraph 16A (exploration and appraisal expenditure) there shall be inserted—

*“ Research expenditure*

- 16B In relation to research expenditure to which section 5B applies, paragraph 16 above has effect as if any reference therein to section 5 were a reference to section 5B.”

**Modifications etc. (not altering text)**

**C3** Part of the text of Sch. 13 Pt. II paras. 1, 7 is in the form in which it was originally enacted: it was not reproduced in Statutes in Force and does not reflect any amendments or repeals which may have been made prior to 1.2.1991

**Marginal Citations**

**M2** 1980 c. 48.

*The Finance Act 1981*

- 8 In section 111 of the <sup>M3</sup>Finance Act 1981 (restriction of expenditure supplement) in subsection (3)(a) the words following “the principal Act” (which specify certain types of expenditure and losses) shall be omitted.

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**Marginal Citations**

**M3** 1981 c. 35.

*The Finance Act 1984*

- 9 (1) In section 113 of the <sup>M4</sup>Finance Act 1984 (restriction on PRT reliefs), in subsection (1) —
- (a) the words “abortive exploration expenditure or exploration and appraisal” shall be omitted; and
  - (b) after the words “section 5A” there shall be inserted “ or section 5B ”.
- (2) In subsection (6) of that section—
- (a) after the words “section 5A” there shall be inserted “ or section 5B ”; and
  - (b) for the words “paragraph 16 or paragraph 16A” there shall be substituted “ paragraphs 16 to 16B ”.

**Marginal Citations**

**M4** 1984 c. 43.

**PART III**

RECEIPTS TO BE SET AGAINST ALLOWABLE EXPENDITURE

- 10 In this Part of this Schedule—
- “allowable expenditure” means expenditure which, in accordance with section 5B of the principal Act, is allowable on a claim made by a participator under Schedule 7 to that Act; and
- “qualifying receipt” means a sum the amount of which falls, by virtue of subsection (6) of section 5 of the principal Act, to be applied by way of reduction in the amount of expenditure which would otherwise be allowable expenditure.
- 11 (1) A return made by a participator for a chargeable period under paragraph 2 of Schedule 2 to the principal Act shall give details of any qualifying receipt (whether received by him or by a person connected with him) of which details have not been given in a return made by him for an earlier chargeable period.
- (2) [<sup>F1</sup>Section 1122 of the Corporation Tax Act 2010] (connected persons) applies for the purposes of this paragraph.

**Textual Amendments**

**F1** Words in *Sch. 13 para. 11(2)* 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. 204** (with *Sch. 2*)

- 12 (1) This paragraph applies where—
- (a) a claim for allowable expenditure has been made by a participator under Schedule 7 to the principal Act; and

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- (b) as a result of the receipt (whether before or after the making of the claim) of a qualifying receipt, the amount allowed by way of allowable expenditure on the claim exceeds what it should have been.
- (2) In determining, in a case where this paragraph applies, the assessable profit or allowable loss accruing to the participator in the chargeable period in which the qualifying receipt is received, the amount of the excess referred to in sub-paragraph (1)(b) above shall be taken into account under section 2 of the principal Act as an amount which is to be included among the positive amounts referred to in subsection (3)(a) of that section.
- (3) In the application of section 9 of the principal Act (limit on amount of tax payable) to a chargeable period in respect of which sub-paragraph (2) above applies, the amount of the excess referred to in sub-paragraph (1)(b) above shall be deducted from the amount which would otherwise be the total ascertained under subsection (2)(a)(ii) of that section and, if the amount of that excess is greater than the amount which would otherwise be that total, that total shall be a negative amount equal to the difference.

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