
*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2000, Part XI. (See end of Document for details)*

SCHEDULES

SCHEDULE 22

TONNAGE TAX

PART XI

SPECIAL RULES FOR OFFSHORE ACTIVITIES

Introduction

- 103 (1) This Part of this Schedule sets out special rules that apply where a qualifying ship operated by a tonnage tax company is engaged in offshore activities.
- (2) The rules in this Part of this Schedule do not apply in an accounting period unless the total number of days in that period on which qualifying ships operated by that company are engaged in offshore activities exceeds 30.

Meaning of “offshore activities”

- 104 (1) In this Part of this Schedule “offshore activities” means activities in connection with the exploration or exploitation of so much of the seabed or subsoil or their natural resources as is situated in the UK sector of the continental shelf.

[^{F1}(1A) But none of the following activities is to be regarded as an offshore activity—

- (a) offshore supply services;
- (b) towage, salvage or other marine assistance;
- (c) anchor handling;
- (d) carriage of liquids or gases;
- (e) safety or rescue services;
- (f) the carriage of cargo in connection with dredging.

(1B) The Treasury may make provision by order amending sub-paragraph (1A) by—

- (a) adding, or
- (b) varying,

any description of activity.]

(2) The “UK sector of the continental shelf” means—

- (a) any area designated by Order in Council under section 1(7) of the ^{M1}Continental Shelf Act 1964, and
- (b) any waters within the seaward limits of the territorial sea of the United Kingdom.

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Textual Amendments

- F1** Sch. 22 para. 104(1A), (1B) inserted (1.7.2005) by Finance Act 2005 (c. 7), Sch. 7 paras. 15(2), 18(1) (with Sch. 7 paras. 19-21)

Marginal Citations

- M1** 1964 c. 29.

Vessels to which special provisions do not apply

^{F2}105

Textual Amendments

- F2** Sch. 22 para. 105 repealed (1.7.2005) by Finance Act 2005 (c. 7), Sch. 7 paras. 16, 18(1), Sch. 11 Pt. 2(10) (with Sch. 7 paras. 19-21)

Treatment of periods of inactivity

- 106 A period between contracts when a qualifying ship is not working shall not be taken to be a period during which the ship is engaged in offshore activities unless—
- (a) the period of inactivity is specifically related to a forthcoming offshore activity, and
 - (b) it is impractical for the vessel to undertake other work in the meantime.

Profits from offshore activities to be computed according to ordinary rules

- 107 (1) The profits of a tonnage tax company from a qualifying ship in respect of periods during which the ship is engaged in offshore activities (its “offshore profits”) are computed and charged to tax in accordance with ordinary corporation tax principles as if they were not part of the company’s relevant shipping profits.
- (2) Accordingly, the number of days in an accounting period during which a qualifying ship is so engaged shall be left out of account for the purposes of paragraph 4 (calculation of tonnage tax profits by reference to daily profit).

Application of ring fence provisions

- 108 (1) The provisions of Part VII (the ring fence: general provisions) apply in relation to a company’s offshore activities as if they were not tonnage tax activities.
- (2) The provisions of this Schedule apply in relation to a company’s offshore profits as they apply to profits other than relevant shipping profits.

Chargeable gains from assets used for offshore activities

- 109 A period during which an asset is used for the purposes of offshore activities is treated for the purposes of paragraph 65 (chargeable gains on disposal of tonnage tax asset) as if it were a period during which the asset was not a tonnage tax asset.

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Capital allowances: general

- 110 (1) A tonnage tax company may claim capital allowances for capital expenditure incurred in providing plant or machinery for the purposes of its offshore activities.
- (2) In such a case [^{F3}Part 2 of the Capital Allowances Act 2001 applies] as if—
- (a) an asset used for the purposes of the company’s offshore activities were provided by the company for those purposes on the first occasion after entry into tonnage tax on which it is brought into use for those purposes, and
 - (b) an amount of capital expenditure (the “notional qualifying expenditure”) had been incurred at that time on its provision.
- (3) The amount of the notional qualifying expenditure is given by paragraph 112 (existing assets) or paragraph 113 (new assets).
- (4) Where an asset to which this paragraph applies ceases permanently to be used for the purposes of the company’s offshore activities, it is treated for the purposes of [^{F4}Part 2 of the Capital Allowances Act 2001] as it applies by virtue of this paragraph as if it had been disposed of at market value.

This does not apply if a disposal value is required to be brought into account under [^{F5}section 61(1)] of that Act apart from this sub-paragraph.

Textual Amendments

- F3** Words in [Sch. 22 para. 110\(2\)](#) substituted (22.3.2001 with effect as mentioned in [s. 579\(1\)](#) of the amending Act) by 2001, c. 2, ss. 578, 579, [Sch. 2 para. 108\(31\)](#)
- F4** Words in [Sch. 22 para. 110\(4\)](#) substituted (22.3.2001 with effect as noted in [579\(1\)](#)) by 2001 c. 2, ss. 578, 579, [Sch. 2 para. 108\(32\)\(a\)](#)
- F5** Words in [Sch. 22 para. 110\(4\)](#) substituted (22.3.2001 with effect as mentioned in [s. 579](#) of the amending Act) by 2001 c. 2, ss. 578, 579, [Sch. 2 para. 108\(32\)\(b\)](#)

Capital allowances: proportionate reduction of allowances

- 111 (1) This paragraph applies where in an accounting period of the company an asset to which paragraph 110 applies is used for the purposes of the company’s offshore activities on some only of the days in the period.
- (2) The amount of any writing-down allowance for that period in respect of expenditure incurred on the provision of the asset is restricted to the relevant proportion of the full allowance.
- (3) Any writing-down allowance for a subsequent accounting period of the company in respect of such expenditure shall be calculated as if an allowance had been made of an amount equal to the full allowance, whether or not that amount (or any amount) was in fact claimed.
- (4) For the purposes of this paragraph the full allowance means the allowance (if any) that would have been available apart from this paragraph.
- (5) For the purposes of this paragraph the relevant proportion of the full allowance is given by:

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$$\frac{\text{OSD}}{\text{APD}}$$

where:

OSD is the number of days in the accounting period on which the asset was used for the purposes of the company's offshore activities; and

APD is the number of days in that period.

Capital allowances: notional qualifying expenditure: existing assets

- 112 (1) This paragraph applies to determine the amount of notional qualifying expenditure for the purposes of paragraph 110 where the company was entitled before entry into tonnage tax to capital allowances in respect of expenditure on providing the asset.
- (2) If the asset was brought into use for the purposes of the company's offshore activities immediately on entry into tonnage tax, the notional qualifying expenditure is equal to any unrelieved qualifying expenditure attributable to the asset.
- [^{F6}(3) In this paragraph "unrelieved qualifying expenditure" means the unrelieved qualifying expenditure that would otherwise have been carried forward under Chapter 5 of Part 2 of the Capital Allowances Act 2001.]
- (4) The amount of unrelieved qualifying expenditure attributable to plant or machinery in a class pool, or the main pool, is the proportion of the whole given by:

$$\frac{\text{AV}}{\text{PV}}$$

where:

AV is the market value of the asset concerned immediately before entry into tonnage tax, and

PV is the aggregate market value at that time of all the assets in the pool.

- (5) References in this paragraph to unrelieved qualifying expenditure include qualifying expenditure to the extent to which it is unrelieved by virtue of notice having been given under [^{F7}section 130 of the Capital Allowances Act 2001 (notice postponing first-year or writing-down allowance)]—
- (6) If the asset was not brought into use for the purposes of the company's offshore activities immediately on entry into tonnage tax, the notional qualifying expenditure is the amount given by sub-paragraph (2) but written down in respect of the period between the company's entry into tonnage tax and the asset being brought into use for those purposes.
- (7) The Inland Revenue shall make provision by regulations as to the basis on which the writing down mentioned in sub-paragraph (6) is to be done.

The regulations may make different provision for different descriptions of asset.

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Textual Amendments

- F6** Sch. 22 para. 112(3) substituted (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, ss. 578, 579, Sch. 2 para. 108(33)
- F7** Words in Sch. 22 para. 112(5) substituted (22.3.2001 with effect as mentioned in 579(1) of the amended Act) by 2001 c. 2, ss. 578, 579, Sch. 2 para. 108(34)

Capital allowances: notional qualifying expenditure: new assets

- 113 (1) This paragraph applies to determine the amount of notional qualifying expenditure for the purposes of paragraph 110 where the company was not entitled before entry into tonnage tax to capital allowances in respect of expenditure on providing the asset.
- (2) If the asset was brought into use for the purposes of the company's offshore activities immediately on being acquired by the company, the notional qualifying expenditure is equal to the amount that would fall to be brought into account as qualifying expenditure under [F8Part 2 of the Capital Allowances Act 2001] apart from this Schedule.
- (3) If the asset was not brought into use for the purposes of the company's offshore activities immediately on being acquired by the company, the notional qualifying expenditure is the amount referred to in sub-paragraph (2) written down in respect of the period between its acquisition by the company and its being brought into use for those purposes.
- (4) The Inland Revenue shall make provision by regulations as to the basis on which the writing down mentioned in sub-paragraph (3) is to be done.

The regulations may make different provision for different descriptions of asset.

Textual Amendments

- F8** Words in Sch. 22 para. 113(2) substituted (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, ss. 578, 579, Sch. 2 para. 108(35)

The training requirement

- 114 (1) The fact that a qualifying ship is used for the purposes of offshore activities does not affect the training requirement but an allowance is made under this paragraph.
- (2) The amount of the allowance in an accounting period is equal to the aggregate of—
- the cash equivalent of the training provided that would not have had to be provided, and
 - any payments in lieu of training made that would not have had to be made, if the days on which the ship was engaged in offshore activities had been days on which it was not engaged in tonnage tax activities.

For the purposes of paragraph (a) the cash equivalent of training shall be calculated by reference to the current rate of payments in lieu of training.

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- (3) The amount of the allowance may be deducted by the company in computing the amount of corporation tax payable for that accounting period, so far as that is attributable to offshore activities.
- (4) If in any accounting period the company is unable to deduct the full amount of—
- (a) any allowance to which it is entitled under this paragraph for that period, and
 - (b) any amount brought forward under this sub-paragraph,
- the balance may be carried forward and set against the amount of corporation tax payable in the next accounting period, so far as that is attributable to offshore activities.
- (5) No deduction may be made by a company in computing its profits from offshore activities in respect of expenditure incurred in meeting the training requirement.

Interpretation

- 115 Expressions used in this Part of this Schedule that are defined for the purposes of Part VIII or IX of this Schedule have the same meaning in this Part.

Changes to legislation:

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