



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 13

PROVISIONS AFFECTING MINING AND OIL INDUSTRIES

Provisions relating to ring fence trades

162 Ring fence trade a separate qualifying activity

- (1) If a person carries on a ring fence trade, it is a separate qualifying activity for the purposes of this Part.
- (2) In this Chapter “ring fence trade” means activities which—
 - (a) fall within [^{F1}the definition of “oil-related activities” in section 16(2) of ITTOIA 2005][^{F2}or section 274 of CTA 2010], and
 - (b) constitute a separate trade (whether as a result of [^{F3}section 16(1) of ITTOIA 2005 or][^{F3}section 16(1) of ITTOIA 2005 or][^{F4}section 279 of CTA 2010] or otherwise).

Textual Amendments

- F1** Words in s. 162(2)(a) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 545\(a\)](#) (with Sch. 2)
- F2** Words in s. 162(2)(a) substituted (1.4.2010) (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. 343\(a\)](#) (with Sch. 2)
- F3** Words in s. 162(2)(b) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 545\(b\)](#) (with Sch. 2)

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F4 Words in s. 162(2)(b) substituted (1.4.2010) (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. 343\(b\)](#) (with [Sch. 2](#))

163 [F5 Meaning of “general decommissioning expenditure”]

[F6(1) Expenditure is “general decommissioning expenditure” for the purposes of sections 164 and 165 if

[F7(a)] the conditions in [F8 subsections (3), (3A) and (4)] are met[F9, F10 ...

[the condition in subsection (3AB) is met, or]

F11(aa)

(b) the conditions in subsections (3B) and (4) are met.]

(2) But [F12 paragraphs (a) and (b) of subsection (1) are] subject to subsections (4ZA) to (4ZC).

(3) The expenditure must have been incurred on decommissioning plant or machinery—

(a) which has been brought into use [F13 wholly or partly] for the purposes of a ring fence trade, and

(b) which—

- (i) is, or forms part of, an offshore installation or a submarine pipeline, or
- (ii) when last in use for the purposes of a ring fence trade, was, or formed part of, such an installation or pipeline.]

[F14(3A) The expenditure must have been incurred wholly or substantially F15 ...—

(a) [F16 in complying with] an approved abandonment programme,

(b) [F17 in complying with] a condition to which the approval of an abandonment programme is subject, F18 ...

(c) [F19 in complying with] a condition imposed by the Secretary of State, or an agreement made with the Secretary of State—

(i) before the approval of an abandonment programme, and

(ii) in relation to the decommissioning of the plant or machinery[F20, or

(d) otherwise in anticipation of a decommissioning measure.]]

[F21(3AA) For the purposes of subsection (3A)(d), expenditure is incurred otherwise in anticipation of a decommissioning measure if it is incurred—

(a) in preserving plant or machinery, the reuse or demolition of which it is reasonable to anticipate will be authorised or required by an approved abandonment programme, a condition to which the approval of such a programme will be subject or a condition or agreement described in subsection (3A)(c), or

(b) in doing something else which it is reasonable to anticipate will be authorised or required by an approved abandonment programme, a condition to which the approval of such a programme will be subject or a condition or agreement described in subsection (3A)(c).]

[F22(3AB) The condition in this subsection is met if—

(a) the expenditure was incurred—

(i) in preparing an abandonment programme for approval, or

(ii) in preparing for the imposition of a condition by, or the making of an agreement with, the Secretary of State before the approval of an abandonment programme, and

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- (b) it is reasonable to anticipate that the approved abandonment programme, the condition imposed or the agreement made, as the case may be, will wholly or mainly relate to the decommissioning of plant or machinery to which subsection (3) applies.]
- [^{F23}(3B) The expenditure must have been incurred on decommissioning plant or machinery—
- (a) which has been brought into use wholly or partly for the purposes of a ring fence trade, and
 - (b) which—
 - (i) is, or forms part of, a relevant onshore installation, or
 - (ii) when last in use for the purposes of a ring fence trade, was, or formed part of, such an installation.
- (3C) In subsection (3B) “relevant onshore installation” means any building or structure which—
- (a) falls within any of sub-paragraphs (ii) to (iv) of section 3(4)(c) of OTA 1975,
 - (b) is not an offshore installation, and
 - (c) is or has been used for purposes connected with the winning of oil from an oil field any part of which lies within—
 - (i) the boundaries of the territorial sea of the United Kingdom, or
 - (ii) an area designated under section 1(7) of the Continental Shelf Act 1964.]
- (4) The plant or machinery must not be replaced.
- (4ZA) An amount of general decommissioning expenditure determined in accordance with [^{F24}subsection (1)(a) or (b)] is to be reduced under subsection (4ZB) if it appears that the decommissioned plant and machinery—
- [^{F25}(a) was not brought into use wholly for qualifying purposes, or
 - (b) has, at any time since it was brought into use, not been used wholly for qualifying purposes].
- (4ZB) The amount determined in accordance with [^{F26}subsection (1)(a) or (b)] is to be reduced to an amount which is just and reasonable having regard to the relevant circumstances.
- (4ZC) The relevant circumstances include, in particular, the extent to which the decommissioned plant and machinery has not been used for [^{F27}qualifying purposes].
- [^{F28}(4A) In this section “ decommissioning ”, in relation to any plant or machinery, means—
- (a) demolishing the plant or machinery,
 - (b) preserving the plant or machinery pending its reuse or demolition,
 - (c) preparing the plant or machinery for reuse, or
 - (d) arranging for the reuse of the plant or machinery.
- (4B) In determining whether expenditure is incurred on preserving plant or machinery pending its reuse or demolition, it is immaterial whether the plant or machinery is reused, is demolished or is partly reused and partly demolished.
- (4C) In determining whether expenditure is incurred on preparing plant or machinery for reuse, or on arranging for the reuse of plant or machinery, it is immaterial whether the plant or machinery is in fact reused.]
- [^{F29}(4D) In this section a reference to use for qualifying purposes is a reference to—

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- (a) use for the purposes of any ring fence trade of any person, or
- (b) other use in—
 - (i) the United Kingdom,
 - (ii) the territorial sea of the United Kingdom, or
 - (iii) an area designated under section 1(7) of the Continental Shelf Act 1964,
 except use wholly or partly in connection with an oil field (within the meaning given by section 12(2) of the Oil Taxation Act 1975).]

(5) In this section—

- (a) [^{F30}“oil” and “oil field” have] the same meaning as in Part I of OTA 1975, and
- (b) [^{F31}“abandonment programme”, “approval” and “approved” (in relation to an abandonment programme),]^{F32}... “offshore installation” and “submarine pipeline” have the same meaning as in Part IV of the Petroleum Act 1998 (c. 17).

Textual Amendments

- F5** S. 163 heading substituted (with effect in accordance with s. 109(7) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 109\(2\)](#)
- F6** S. 163(1)-(3) substituted (with effect in accordance with s. 109(7) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 109\(3\)](#)
- F7** Words in s. 163(1) renumbered as s. 163(1)(a) (with effect in accordance with s. 90(5) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 90\(2\)\(a\)](#)
- F8** Words in s. 163(1)(a) substituted (with effect in accordance with s. 90(5) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 90\(2\)\(b\)](#)
- F9** S. 163(1)(b) and word inserted (with effect in accordance with s. 90(5) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 90\(2\)\(c\)](#)
- F10** Word in s. 163(1)(a) omitted (with effect in accordance with s. 16(10) of the amending Act) by virtue of [Finance Act 2021 \(c. 26\), s. 16\(3\)](#)
- F11** S. 163(1)(aa) inserted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(3\)](#)
- F12** Words in s. 163(2) substituted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(4\)](#)
- F13** Words in s. 163(3)(a) inserted (with effect in accordance with Sch. 41 para. 7(1) to the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 41 para. 5\(2\)](#)
- F14** S. 163(3A) inserted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 38 para. 2\(3\)](#)
- F15** Words in s. 163(3A) omitted (with effect in accordance with s. 16(10) of the amending Act) by virtue of [Finance Act 2021 \(c. 26\), s. 16\(5\)\(a\)](#)
- F16** Words in s. 163(3A)(a) inserted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(5\)\(b\)](#)
- F17** Words in s. 163(3A)(b) inserted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(5\)\(c\)\(i\)](#)
- F18** Word in s. 163(3A)(b) omitted (with effect in accordance with s. 16(10) of the amending Act) by virtue of [Finance Act 2021 \(c. 26\), s. 16\(5\)\(c\)\(ii\)](#)
- F19** Words in s. 163(3A)(c) inserted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(5\)\(d\)\(i\)](#)
- F20** S. 163(3A)(d) and word inserted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(5\)\(d\)\(ii\)](#)

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- F21** S. 163(3AA) inserted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(6\)](#)
- F22** S. 163(3AB) inserted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(7\)](#)
- F23** S. 163(3B)(3C) inserted (with effect in accordance with s. 90(5) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 90\(3\)](#)
- F24** Words in s. 163(4ZA) substituted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(8\)](#)
- F25** S. 163(4ZA)(a)(b) substituted (with effect in accordance with Sch. 41 para. 7(1) to the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 41 para. 5\(3\)](#)
- F26** Words in s. 163(4ZB) substituted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(8\)](#)
- F27** Words in s. 163(4ZC) substituted (with effect in accordance with Sch. 41 para. 7(1) to the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 41 para. 5\(4\)](#)
- F28** S. 163(4A)-(4C) inserted (with effect as mentioned in Sch. 20 para. 9(1)(5)(8) of the amending Act) by [Finance Act 2001 \(c. 9\), s. 68, Sch. 20 Pt. 2 para. 6\(5\)](#)
- F29** S. 163(4D) inserted (with effect in accordance with Sch. 41 para. 7(1) to the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 41 para. 5\(5\)](#)
- F30** Words in s. 163(5)(a) substituted (with effect in accordance with s. 90(5) of the amending Act) by [Finance Act 2013 \(c. 29\), s. 90\(4\)](#)
- F31** Words in s. 163(5)(b) inserted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 38 para. 2\(4\)](#)
- F32** Words in s. 163(5)(b) omitted (with effect in accordance with s. 109(7) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), s. 109\(5\)](#)

[^{F33}163A Expenditure in anticipation of approval of abandonment programme

- (1) Expenditure to which section 163(3A)(d) applies by virtue of section 163(3AA)(b) is to be treated as never having been general decommissioning expenditure for the purposes of sections 164 and 165 unless, before the end of the relevant period, condition A or condition B is met in relation to the expenditure.
- (2) Condition A is that—
 - (a) an abandonment programme is approved, and
 - (b) the programme, or a condition to which the approval of the programme was subject, authorises or requires the decommissioning of the plant or machinery to which the expenditure relates.
- (3) Condition B is that—
 - (a) a condition is imposed by the Secretary of State, or an agreement is made with the Secretary of State, before the approval of an abandonment programme, and
 - (b) the condition or, as the case may be, the agreement authorises or requires the decommissioning of the plant or machinery to which the expenditure relates.
- (4) For the purposes of this section “the relevant period” means the period—
 - (a) beginning with the day on which the expenditure was incurred, and
 - (b) ending with the fifth anniversary of the last day of the accounting period in which the expenditure was incurred.
- (5) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (1).

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- (6) If a person who has made a return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, the person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.
- (7) A notice under subsection (6) must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section.
- (8) In this section, “abandonment programme”, “approval” and “approved” (in relation to an abandonment programme) have the same meaning as in Part 4 of the Petroleum Act 1998.]

Textual Amendments

F33 S. 163A inserted (with effect in accordance with s. 16(10) of the amending Act) by [Finance Act 2021 \(c. 26\), s. 16\(9\)](#)

164 [^{F34}**General decommissioning expenditure] incurred before cessation of ring fence trade**

[^{F35}(1) A person (“R”) carrying on a ring fence trade may elect to have a special allowance made to R for a chargeable period (the “relevant chargeable period”) if conditions A and B are met.

(1A) Condition A is that one or more of these paragraphs applies—

- (a) R incurs general decommissioning expenditure in the relevant chargeable period in respect of decommissioning carried out in that period;
- (b) R incurs general decommissioning expenditure in the relevant chargeable period in respect of decommissioning carried out in a previous chargeable period;
- (c) R incurred general decommissioning expenditure in a previous chargeable period in respect of decommissioning that has not been carried out until the relevant chargeable period.

(1B) Condition B is that the plant or machinery concerned has been brought into use for the purposes of the ring fence trade.]

[^{F36}(1C) If the plant or machinery concerned is incidentally-acquired redundant plant or machinery (see subsection (1D)), it is to be regarded for the purposes of this section as having been brought into use for the purposes of the ring fence trade.

(1D) Plant or machinery is “incidentally-acquired redundant plant or machinery” if—

- (a) it has not been brought into use for the purposes of the ring fence trade,
- (b) it forms part of a relevant installation (see subsection (1E)) which has been brought into use for the purposes of the ring fence trade,
- (c) at the time R acquired an interest in the relevant installation, the plant or machinery was not being used for any purposes, and
- (d) the acquisition of the interest in the plant or machinery was merely incidental to the acquisition of the interest in the relevant installation.

(1E) For the purposes of subsection (1D)—

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“relevant installation” means—

- (a) an offshore installation,
- (b) a submarine pipeline, or
- (c) a relevant onshore installation;

“offshore installation” and “submarine pipeline” have the same meaning as in Part 4 of the Petroleum Act 1998;

“relevant onshore installation” has the meaning given by section 163(3C).]

(2) The election—

- (a) must be made by notice to [^{F37}an officer of Revenue and Customs] no later than 2 years after the end of [^{F38}the relevant chargeable period, and]
- (b) is irrevocable.

(3) The election must specify—

- (a) the [^{F39}general decommissioning expenditure] to which it relates, ^{F40} ...
- [^{F41}(aa) the chargeable period in which the expenditure was incurred,
- (ab) the decommissioning to which the expenditure relates,
- (ac) the chargeable period in which the decommissioning was carried out, and]
- [^{F42}(b) where the plant or machinery concerned has been or is to be demolished, any amounts received for its remains.]

(4) If a person makes an election under this section—

- (a) he is entitled to a special allowance ^{F43} ... for [^{F44}the relevant chargeable period, and]
- [^{F45}(b) neither of sections 26(3) and 161C(2)(net cost of demolition where plant or machinery not replaced, or cost of preparing for reuse, added to existing pool) applies.]

[^{F46}(5) The amount of the special allowance for [^{F47}the relevant chargeable period is equal to the amount of the general decommissioning expenditure to which the election relates.]

[But subsection (5) is subject to subsections (5B) and (6) [^{F49}and sections 165A to ^{F48}(5A) 165E.]

(5B) If an amount of general decommissioning expenditure to which the election relates is disproportionate to the relevant decommissioning carried out in the specified decommissioning period then, for the purposes of this section, the election is to be taken to specify only the allowable expenditure.

(5C) The application of subsection (5B) to an amount of general decommissioning expenditure does not prevent a person from making an election under this section for a subsequent chargeable period specifying the non-allowable expenditure.

(5D) In subsections (5B) and (5C)—

“allowable expenditure”, in relation to general decommissioning expenditure, means the amount of the expenditure that is proportionate to the relevant decommissioning carried out in the specified decommissioning period;

“non-allowable expenditure”, in relation to general decommissioning expenditure, means so much of that expenditure as is not allowable expenditure;

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“relevant decommissioning”, in relation to general decommissioning expenditure, means the decommissioning to which the expenditure relates;

“specified decommissioning period”, in relation to relevant decommissioning, means the chargeable period specified in the election as the period in which the decommissioning was carried out;

“specified expenditure period”, in relation to general decommissioning expenditure, means the chargeable period specified in the election as the period in which the expenditure was incurred.]

- (6) If plant or machinery is demolished, the total of any special allowances in respect of expenditure on decommissioning the plant or machinery is reduced by any amount received for the remains of the plant or machinery.

Here “decommissioning” has the meaning given by section 163(4A).

- (7) Effect is given to subsection (6) by setting the amount (until wholly utilised)—
- first, against any special allowance for the chargeable period in which the amount is received (as previously reduced in giving effect to subsection (6));
 - second, against special allowances for earlier chargeable periods (as so reduced and taking later such periods before earlier ones); and
 - third, against special allowances for later chargeable periods (as so reduced and taking earlier such periods before later ones).]

Textual Amendments

- F34** Words in s. 164 heading substituted (with effect in accordance with s. 109(7) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 34 para. 5\(2\)](#)
- F35** S. 164(1)-(1B) substituted for s. 164(1) (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 38 para. 3\(2\)](#)
- F36** S. 164(1C)-(1E) inserted (with effect in accordance with s. 91(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [s. 91\(1\)](#)
- F37** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), [s. 53\(1\)](#), [Sch. 4 para. 83\(1\)](#); S.I. 2005/1126, art. 2(2)(h)
- F38** Words in s. 164(2)(a) substituted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 38 para. 3\(3\)](#)
- F39** Words in s. 164(3)(a) substituted (with effect in accordance with s. 109(7) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 34 para. 5\(3\)](#)
- F40** Word in s. 164(3)(a) omitted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 38 para. 3\(4\)\(a\)](#)
- F41** S. 164(3)(aa)-(ac) inserted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 38 para. 3\(4\)\(b\)](#)
- F42** S. 164(3)(b) substituted (with effect as mentioned in Sch. 20 para. 9(1)(5)(8) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), [s. 68](#), [Sch. 20 Pt. 2 para. 7\(3\)](#)
- F43** Words in s. 164(4)(a) repealed (with effect as mentioned in Sch. 20 para.9(1)(5)(8) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), [s. 68](#), [110](#), [Sch. 20 Pt. 2 para. 7\(4\)](#), [Sch. 33 Pt. 2\(5\)](#) Note 1
- F44** Words in s. 164(4)(a) substituted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 38 para. 3\(5\)](#)
- F45** S. 164(4)(b) substituted (with effect as mentioned in Sch. 20 para. 9(1)(5)(8) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), [s. 68](#), [Sch. 20 Pt. 2 para. 7\(5\)](#)
- F46** S. 164(5)-(7) substituted (with effect as mentioned in Sch. 20 para. 9(1)(5)(8) of the amending Act) for s. 164(5) by [Finance Act 2001 \(c. 9\)](#), [s. 68](#), [Sch. 20 Pt. 2 para. 7\(6\)](#)
- F47** Words in s. 164(5) substituted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 38 para. 3\(6\)](#)

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- F48** S. 164(5A)-(5D) inserted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by Finance Act 2009 (c. 10), **Sch. 38 para. 3(7)**
- F49** Words in s. 164(5A) inserted (with effect in accordance with Sch. 32 para. 8 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 32 para. 6**

165 [F50] **General decommissioning expenditure** [F51] **after** ceasing ring fence trade

(1) This section applies if—

- (a) a person (“the former trader”) has ceased to carry on a ring fence trade,
- [F52](b) the decommissioning condition is met in relation to a notional accounting period, and]
- (c) the [F53]general decommissioning expenditure] is not otherwise deductible in calculating the income of the former trader for any tax purpose.

[F54](1A) The decommissioning condition is met in relation to a notional accounting period (the “relevant period”) if one or more of these paragraphs applies—

- (a) the former trader incurs general decommissioning expenditure in the relevant period in respect of decommissioning carried out in that period,
- (b) the former trader incurs general decommissioning expenditure in the relevant period in respect of decommissioning carried out in—
 - (i) a previous notional accounting period, or
 - (ii) a chargeable period falling before the first notional accounting period,and
- (c) the former trader incurred general decommissioning expenditure in—
 - (i) a previous notional accounting period, or
 - (ii) a chargeable period falling before the first notional accounting period,in respect of decommissioning that has not been carried out until the relevant period.

(1B) “Notional accounting period” means each of the following periods—

- (a) the period that—
 - (i) begins with the day following the last day on which the former trader carried on the ring fence trade, and
 - (ii) ends with the day on which the first termination event subsequently occurs, and
- (b) each period that—
 - (i) begins with the day following the last day of a period determined under paragraph (a) or this paragraph, and
 - (ii) ends with the day on which the first termination event subsequently occurs;

but there are to be no notional accounting periods after the end of the post-cessation period.

(1C) “Termination event”, in relation to a notional accounting period, means each of the following—

- (a) the end of the period of 12 months beginning with the first day of the notional accounting period,
- (b) the occurrence of an accounting date of the former trader or, if there is a period for which the former trader does not make up accounts, the end of that period (but see subsections (6A) and (6B)), and

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(c) the end of the post-cessation period.]

[^{F55}(2) “The post-cessation period” means the period that—

- (a) begins with the day following the last day on which the former trader carried on the ring fence trade, and
- (b) ends with the day on which condition A and condition B are both met (or, if they are met on different days, the later of those days).

(2A) Condition A is met if each approved abandonment programme that relates wholly or partly to relevant plant and machinery has ceased to have effect.

(2B) Condition B is met if the Secretary of State is satisfied that no other abandonment programmes that relate wholly or partly to relevant plant and machinery will be approved.

(2C) For the purposes of condition A, an approved abandonment programme ceases to have effect if and when—

- (a) the programme has been carried out to the satisfaction of the Secretary of State, or
- (b) approval of the programme has been withdrawn.]

(3) If this section applies [^{F56}in relation to a notional accounting period]—

- (a) an amount equal to the [^{F57}relevant decommissioning cost][^{F58}for that period, or the aggregate of all the relevant decommissioning costs for that period,] is allocated to the appropriate pool for the chargeable period in which the former trader ceased to carry on the ring fence trade, and
- (b) [^{F59}where any of the [^{F60}general decommissioning expenditure] was incurred on the demolition of plant or machinery,]any amount received within the post-cessation period for the remains of the plant or machinery does not constitute income of the former trader for any tax purpose.

[^{F61}(3A) Subsection (3) is subject to sections 165A to 165E.]

(4) In subsection (3)—

“the appropriate pool” means the pool to which the expenditure on the demolished plant or machinery has been allocated, and

[^{F62}“relevant decommissioning cost”, for a notional accounting period, means the amount by which general decommissioning expenditure falling within paragraph (a), (b) or (c) of subsection (1A) in relation to that period exceeds any amounts received before or during that period for the remains of any plant or machinery on whose demolition any of the general decommissioning expenditure was incurred.]

[^{F63}(4A) [^{F64}General decommissioning expenditure] is to be disregarded for the purposes of this section if the expenditure is incurred in decommissioning plant and machinery at a time—

- (a) after an abandonment programme relating wholly or partly to the plant and machinery has had its approval withdrawn, and
- (b) when no other abandonment programme relating wholly or partly to the plant and machinery is approved.]

[^{F65}(4B) If an amount of general decommissioning expenditure is disproportionate to the relevant decommissioning carried out in the decommissioning period then, for the

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purposes of this section, only the allowable expenditure is to be taken to have been incurred in the expenditure period.

(4C) The application of subsection (4B) to an amount of general decommissioning expenditure does not prevent the non-allowable expenditure from being taken into account under this section in relation to a subsequent notional accounting period.

(4D) In subsections (4B) and (4C)—

“allowable expenditure”, in relation to general decommissioning expenditure, means the amount of the expenditure that is proportionate to the relevant decommissioning carried out in the decommissioning period;

“decommissioning period”, in relation to relevant decommissioning, means the notional accounting period or chargeable period in which the decommissioning was carried out;

“expenditure period”, in relation to general decommissioning expenditure, means the notional accounting period or chargeable period in which the expenditure was incurred;

“non-allowable expenditure”, in relation to general decommissioning expenditure, means so much of that expenditure as is not allowable expenditure;

“relevant decommissioning”, in relation to general decommissioning expenditure, means the decommissioning to which the expenditure relates.]

(5) All such adjustments, by discharge or repayment of tax or otherwise, are to be made as are necessary to give effect to this section.

[^{F66}(6) For the purposes of this section, it does not matter if approval of an abandonment programme that relates to relevant plant and machinery (including approval of the first such programme) is given before or after the start of the post-cessation period.

[If the former trader—

^{F67}(6A) (a) carries on more than one trade,
(b) makes up accounts of any of them to different dates, and
(c) does not make up general accounts for the whole of the company's activities,
subsection (1C)(b) applies with reference to the accounting date of such one of the trades as the former trader may determine.

(6B) If the Commissioners for Her Majesty's Revenue and Customs are of the opinion, on reasonable grounds, that a date determined by the former trader for the purposes of subsection (6A) is inappropriate, the Commissioners may by notice direct that the accounting date of such other of the trades referred to in that subsection as appears to the Commissioners to be appropriate is to be used instead.]

(7) In this section—

“abandonment programme” means an abandonment programme under Part 4 of the Petroleum Act 1998;

“approved”, in relation to an abandonment programme, means approved or revised under Part 4 of the Petroleum Act 1998 (and “approval” is to be construed accordingly);

“relevant plant and machinery” means plant and machinery—

(a) which has been brought into use for the purposes of the ring fence trade that has ceased, and

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(b) which, when last in use for the purposes of that ring fence trade, was, or formed part of, an offshore installation or submarine pipeline;

and for this purpose “offshore installation” and “submarine pipeline” have the same meaning as in Part 4 of the Petroleum Act 1998;

“withdrawn”, in relation to approval of an abandonment programme, means withdrawn under Part 4 of the Petroleum Act 1998.]

Textual Amendments

- F50** Words in s. 165 heading substituted (with effect in accordance with s. 109(7) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 34 para. 6(2)**
- F51** Word in s. 165 heading substituted (with effect in accordance with s. 110(9) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **s. 110(2)**
- F52** S. 165(1)(b) substituted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 38 para. 4(2)**
- F53** Words in s. 165(1)(c) substituted (with effect in accordance with s. 109(7) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 34 para. 6(3)**
- F54** S. 165(1A)-(1C) inserted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 38 para. 4(3)**
- F55** S. 165(2)-(2C) substituted for s. 165(2) (with effect in accordance with s. 110(9) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **s. 110(3)**
- F56** Words in s. 165(3) inserted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 38 para. 4(4)(a)**
- F57** Words in s. 165(3)(a) substituted (with effect in accordance with s. 109(7) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 34 para. 6(4)(a)**
- F58** Words in s. 165(3)(a) inserted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 38 para. 4(4)(b)**
- F59** Words in s. 165(3)(b) inserted (with effect as mentioned in [Sch. 20 para. 9\(1\)\(5\)\(8\)](#) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), s. 68, **Sch. 20 para. 8(3)**
- F60** Words in s. 165(3)(b) substituted (with effect in accordance with s. 109(7) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 34 para. 6(4)(b)**
- F61** S. 165(3A) inserted (with effect in accordance with Sch. 32 para. 8 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 32 para. 7**
- F62** Words in s. 165(4) substituted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 38 para. 4(5)**
- F63** S. 165(4A) inserted (with effect in accordance with s. 110(9) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **s. 110(4)**
- F64** Words in s. 165(4A) substituted (with effect in accordance with Sch. 41 para. 7(2) to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 41 para. 6**
- F65** S. 165(4B)-(4D) inserted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 38 para. 4(6)**
- F66** S. 165(6)(7) inserted (with effect in accordance with s. 110(9) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **s. 110(5)**
- F67** S. 165(6A)(6B) inserted (with effect in accordance with Sch. 38 para. 5 to the amending Act) by [Finance Act 2009 \(c. 10\)](#), **Sch. 38 para. 4(7)**

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