



# Corporation Tax Act 2010

## 2010 CHAPTER 4

### PART 8

#### OIL ACTIVITIES

### CHAPTER 4

#### CALCULATION OF PROFITS

#### *Relief*

### **303 Management expenses**

No deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) is to be allowed from a company's ring fence profits.

### **[<sup>F1</sup>303A Introduction to sections 303B to 303D: post-1 April 2017 non-decommissioning losses of ring fence trades**

- (1) This section has effect for the purposes of sections 303B to 303D.
- (2) A loss made by a company in a ring fence trade is a “non-decommissioning loss” so far as it is not attributable to expenditure which is relevant expenditure in relation to a decommissioning relief agreement.
- (3) Where a company makes a loss for an accounting period in a ring fence trade, the amount (if any) of that loss that is “attributable to” expenditure which is relevant expenditure in relation to a decommissioning relief agreement is equal to—
  - (a) the total amount of such expenditure brought into account in calculating that loss, or
  - (b) if lower, the amount of the loss.

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- (4) Expenditure is “relevant expenditure” in relation to a decommissioning relief agreement if it is decommissioning expenditure (as defined in section 81 of FA 2013) to which the provision of the agreement described in section 80(2)(b) of that Act relates.

In this subsection the reference to section 81 of FA 2013 is to that section as it has effect when the agreement in question is made.

- (5) In this section “decommissioning relief agreement” has the meaning given by section 80 of FA 2013.

#### Textual Amendments

- F1** Ss. 303A-303D inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 48**

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

- C1** Ss. 303A-303D excluded (14.7.2022) by Energy (Oil and Gas) Profits Levy Act 2022 (c. 40), **s. 1(5)(e)** (with ss. 15(1), 16(1))

### 303B Carry forward of losses against subsequent profits

- (1) This section applies if—
- (a) in an accounting period beginning on or after 1 April 2017 (“the loss-making period”) a company makes a non-decommissioning loss in a ring fence trade,
  - (b) relief under—
    - section 37 or 42, or
    - Part 5 (group relief),
 is not given for an amount of the loss (“the unrelieved amount”), and
  - (c) the company continues to carry on the ring fence trade in the next accounting period (“the later period”).
- (2) The unrelieved amount is carried forward to the later period.
- (3) Relief for the unrelieved amount is given to the company in the later period if the company makes a profit in the trade for the later period.
- (4) The relief is given by reducing the profits of the trade in the later period by the unrelieved amount.
- (5) Relief under this section is subject to restriction or modification in accordance with the provisions of the Corporation Tax Acts.

#### Textual Amendments

- F1** Ss. 303A-303D inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 48**

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

- C1** Ss. 303A-303D excluded (14.7.2022) by Energy (Oil and Gas) Profits Levy Act 2022 (c. 40), **s. 1(5)(e)** (with ss. 15(1), 16(1))

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### **303C Excess carried forward losses: relief against total profits**

- (1) This section applies if—
  - (a) an amount of a non-decommissioning loss made in a ring fence trade is carried forward to an accounting period of a company (“the later period”) under section 303B(2) or 303D(3), and
  - (b) any of that amount (“the unrelieved amount”) is not deducted under section 303B(4) or 303D(5) (as the case may be) from the company's profits of the trade (if any) of the later period.
- (2) The company may make a claim for relief to be given for the unrelieved amount under this section (but see subsection (4)).
- (3) If the company makes a claim, the relief is given by deducting the unrelieved amount, or any part of it specified in the claim, from the company's total profits of the later period.
- (4) The company may not make a claim if—
  - (a) the ring fence trade became small or negligible in the loss-making period or any intervening period,
  - (b) relief under section 37 was unavailable for the non-decommissioning loss by reason of section 37(5) or 44, or
  - (c) relief under section 37 would be unavailable by reason of section 44 for a loss (assuming there was one) made in the ring fence trade in the later period or any intervening period.
- (5) In subsection (4)—

“intervening period” means an accounting period of the company which begins after the loss-making period and before the later period, and

“the loss-making period” means the accounting period of the company in which the non-decommissioning loss was made.
- (6) A claim under this section must be made—
  - (a) within the period of two years after the end of the later period, or
  - (b) within such further period as an officer of Revenue and Customs may allow.
- (7) Relief under this section is subject to restriction or modification in accordance with the provisions of the Corporation Tax Acts.

#### **Textual Amendments**

- F1** Ss. 303A-303D inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 48**

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

- C1** Ss. 303A-303D excluded (14.7.2022) by Energy (Oil and Gas) Profits Levy Act 2022 (c. 40), **s. 1(5)(e)** (with ss. 15(1), 16(1))

### **303D Further carry forward against subsequent profits of loss not fully used**

- (1) This section applies if—

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- (a) an amount of a loss made in a ring fence trade is carried forward to an accounting period (“the later period”) of a company under section 303B(2) or subsection (3) of this section,
  - (b) any of that amount is unrelieved in the later period, and
  - (c) the company continues to carry on the ring fence trade in the accounting period (“the further period”) after the later period.
- (2) An amount carried forward as mentioned in subsection (1)(a) is “unrelieved in the later period” so far as it is not—
- (a) deducted under section 303B(4) or subsection (5) of this section from the company's profit (if any) of the later period,
  - (b) deducted from the company's total profits of the later period on a claim under section 303C, or
  - (c) surrendered by way of group relief for carried-forward losses under Part 5A of CTA 2010.
- (3) So much of the amount mentioned in subsection (1)(a) as is unrelieved in the later period is carried forward to the further period.
- (4) Relief for the amount carried forward under subsection (3) (“the remaining carried forward amount”) is given to the company in the further period if the company has a profit in the trade for that period.
- (5) The relief is given by reducing the profits of the trade of the further period by the remaining carried forward amount.
- (6) Relief under this section is subject to restriction or modification in accordance with the provisions of the Corporation Tax Acts.]

#### Textual Amendments

**F1** Ss. 303A-303D inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 4 para. 48**

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

**C1** Ss. 303A-303D excluded (14.7.2022) by Energy (Oil and Gas) Profits Levy Act 2022 (c. 40), **s. 1(5)(e)** (with ss. 15(1), 16(1))

### 304 Losses

- (1) Relief in respect of a loss incurred by a company may not be given under section 37 (relief for trade losses against total profits) against that company's ring fence profits except so far as the loss arises from oil extraction activities or from oil rights.
- [<sup>F2</sup>(1A) Relief in respect of a loss incurred by a company may not be given against that company's ring fence profits under any provision listed in subsection (1B).
- (1B) The provisions are—
- (a) section 753 of CTA 2009 (non-trading losses on intangible fixed assets);
  - (b) section 45A (carry forward of trade loss against total profits);
  - (c) section 62(3) (relief for losses made in UK property business).]

(2) Subsection (5) applies if conditions A and B are met.

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- (3) Condition A is that a company incurs a loss in an accounting period in activities (“separate activities”) which, for that or any subsequent accounting period, are treated by section 279 as a separate trade for the purposes of the charge to corporation tax on income.
- (4) Condition B is that any of the company's trading income in any subsequent accounting period is derived from activities (“related activities”) which are not part of the separate activities but which would together with those activities constitute a single trade, were it not for section 279.
- (5) The loss may be used under section 45 [<sup>F3</sup>45B, 303B(4) or 303D(5)] (carry forward of trade loss against subsequent trade profits) to reduce so much of the company's trading income in any subsequent accounting period as is derived from the related activities.
- (6) Subsection (5) applies despite anything in section 279.
- [<sup>F4</sup>(7) A deduction in respect of a loss made in a ring fence trade is to be ignored for the purposes of section 269ZB (restriction on deductions from trading profits) if the deduction is under—
  - (a) section 45 (carry forward of pre-1 April 2017 trade loss against subsequent profits), or
  - (b) section 45B (carry forward of post-1 April 2017 trade loss against [<sup>F5</sup>trade] profits).]

#### Textual Amendments

- F2** S. 304(1A)(1B) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 49\(2\)](#)
- F3** Words in s. 304(5) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 49\(3\)](#)
- F4** S. 304(7) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 49\(4\)](#)
- F5** Word in s. 304(7)(b) substituted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [Sch. 10 para. 15](#)

### 305 Group relief [<sup>F6</sup>and group relief for carried-forward losses]

- (1) On a claim for group relief made by a claimant company in relation to a surrendering company, group relief may not be allowed against the claimant company's ring fence profits except so far as the claim relates to losses incurred by the surrendering company that arose from oil extraction activities or from oil rights.
- [<sup>F7</sup>(1A) On a claim under Chapter 3 of Part 5A, group relief for carried-forward losses may not be allowed against the claimant company's ring fence profits.]
- (2) In section 105 (restriction on surrender of losses etc within section 99(1)(d) to (g)) the references to the surrendering company's gross profits of the surrender period do not include the company's relevant ring fence profits for that period.
- (3) The company's “relevant ring fence profits” for that period are—
  - (a) if for that period there are no qualifying charitable donations made by the company that are allowable under Part 6 (charitable donations relief), the company's ring fence profits for that period, or

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- (b) otherwise, so much of the company's ring fence profits for that period as exceeds the amount of the qualifying charitable donations made by the company that are allowable under section 189 for that period.

[<sup>F8</sup>(4) In this section—

“claimant company” is to be read in accordance with Part 5 (see section 188) or Part 5A (see sections 188CB(2) and 188CC(2)), as the case requires;

“surrendering company” is to be read in accordance with Part 5 (see section 188).]

#### Textual Amendments

- F6** Words in s. 305 heading inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 50\(2\)](#)
- F7** [S. 305\(1A\)](#) inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 50\(3\)](#)
- F8** [S. 305\(4\)](#) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 50\(4\)](#)

### 306 Capital allowances

- (1) A capital allowance may not to any extent be given effect under section 259 or 260 of CAA 2001 (special leasing) by deduction from a company's ring fence profits.
- (2) But subsection (1) does not apply to a capital allowance which falls to be made to a company for any accounting period in respect of an asset which—
  - (a) is used in the relevant accounting period by a company associated with it, and
  - (b) is so used in carrying on oil extraction activities.
- (3) “The relevant accounting period” means that for which the allowance in question first falls to be made to the company (whether or not it can to any extent be given effect in that period under section 259 of CAA 2001).

**Changes to legislation:**

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