



Corporation tax: oil and gas taxation: reduction in supplementary charge

Who is likely to be affected?

Oil and gas companies that operate in the UK or on the UK Continental shelf (UKCS).

General description of the measure

This measure will decrease the rate of supplementary charge payable in respect of profits from oil and gas production in the UK and UKCS from 32 per cent to 30 per cent.

Policy objective

This measure supports the Government's objective of providing the right conditions for business investment to maximise the economic recovery of the UK's oil and gas resources, at a time when the North Sea industry is facing considerable challenges. This measure is one element of a package of reforms to the oil and gas fiscal regime. These will encourage investment in the UK and UKCS, leading to increased production of oil and gas, helping to increase the UK's energy security, balance of payments and supporting jobs and supply chain opportunities.

Background to the measure

This measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

This measure will have effect on and after 1 January 2015. There are transitional rules for accounting periods beginning before the operative date.

Current law

Corporation Tax Act (CTA) 2010 Chapter 6 section 330 imposes a supplementary charge on a company's adjusted ring fence profits at the rate of 32 per cent.

Proposed revisions

Corporation Tax Act (CTA) 2010 Chapter 6 section 330 will be revised to a rate of 30 per cent.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<p>nil</p> <p>-55</p> <p>-60</p> <p>-50</p> <p>-65</p> <p>-60</p> <p>These figures are set out in Table 2.1 of Autumn Statement 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.</p>						
Economic impact	<p>The reduction in the supplementary charge will increase the post-tax profits for affected companies, making investment into oil and gas projects in the UK and UKCS more attractive. This could lead to additional production of oil and gas, helping to increase the UK's energy security, balance of payments, and supporting jobs and supply chain opportunities.</p>					
Impact on individuals, households and families	<p>As this measure affects oil and gas companies only there is no impact on individuals, households or family formation, stability or breakdown.</p>					
Equalities impacts	<p>The decrease in the tax rate only applies to companies involved in the oil and gas industry in the UK or UKCS and is considered to have no differential impact on any equality groups.</p>					
Impact on business including civil society organisations	<p>There are around 200 companies currently operating in UK oil and gas sector. The decrease in the supplementary charge will have a positive impact on company post-tax profits within the UK. This measure is expected to have no additional administrative burden on these businesses.</p> <p>Any reduction in the rate of supplementary charge will result in lower instalment payments being made. This will apply, where appropriate, to instalment payments made on or after the date of announcement. If the rate cut is not approved by Parliament for any reason then companies will have to pay the additional tax arising.</p> <p>This measure will have no impact on civil society organisations.</p>					
Operational impact (£m) (HMRC or other)	<p>HMRC will incur some additional costs for implementing this change and these are estimated to be around £115,000 for IT changes.</p>					
Other impacts	<p><u>Sustainable development, wider environment and health</u>: the oil and gas industry is heavily regulated to ensure its activities do not lead to pollution or disturbance to habitat or wildlife, and to ensure the health and wellbeing of its workers. Investment in oil and gas production is needed even as the economy decarbonises; the Government estimates that oil and gas will continue to meet 70 per cent of the UK's energy needs out to 2030.</p> <p><u>Small and micro business assessment</u>: this measure is expected to have no impact on small and micro businesses. The change applies only to oil and gas companies operating in the UK.</p> <p>Other impacts have been considered and none have been identified.</p>					

Monitoring and evaluation

The measure will be kept under review through regular communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Tony Chanter on 03000 589073 (email: tony.chanter@hmrc.gsi.gov.uk).