
D R A F T S T A T U T O R Y I N S T R U M E N T S

2018 No. XXXX

CORPORATION TAX

**The Investment Allowance and Cluster Area Allowance
(Relevant Income: Tariff Receipts) Regulations 2018**

Made - - - - - ***
Coming into force - - - - - ***

The Treasury, in exercise of the powers conferred by sections 332F(3)(b) and (4) and sections 356JH(3)(b) and (4) of the Corporation Tax Act 2010(a) makes the following Regulations.

In accordance with section 332F(8) and section 356JH(8) of the Corporation Tax Act 2010 a draft of this instrument was laid before the House of Commons and approved by a resolution of that House.

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Investment Allowance and Cluster Area Allowance (Relevant Income: Tariff Receipts) Regulations 2018 and come into force on ** October 2018.

(2) These Regulations have effect in relation to tariff receipts(b) of a company in an accounting period beginning on or after 16th September 2016.

Relevant income for investment allowance

2.—(1) Tariff receipts are relevant income for the purposes of Chapter 6A of Part 8 of the Corporation Tax Act 2010, where the conditions in paragraph (2) are satisfied.

(2) The conditions are that: when the tariff receipts are taken into account in calculating the company's adjusted ring fence profits,—

- (a) the tariff receipts are attributable to a qualifying oil field(c), and
- (b) the company is a licensee(a) in the qualifying oil field.

(a) 2010 c. 4. Section 332F was inserted by section 49, Schedule 12, paragraphs 1 and 2 of the Finance Act 2015 (c. 11). Section 332F was amended by section 60 of the Finance Act 2016 (c. 24). Section 356JH was inserted by section 50, Schedule 13, paragraphs 1 and 2 of the Finance Act 2015. Section 356JH was amended by section 63 of the Finance Act 2016 (c. 24).

(b) The meaning of "tariff receipts" is given in section 291(9) and (10) and section 291A of the Corporation Tax Act 2010. Section 291 (9) and (10) was substituted by section 22 of the Finance Act 2018 (c. 3). Section 291A was inserted by section 22 of the Finance Act 2018.

(c) The meaning of "qualifying oil field" is given in section 332B of the Corporation Tax Act 2010. Section 332B was inserted by section 49, paragraphs 1 and 2 of Schedule 12 of the Finance Act 2015.

(3) This regulation does not apply where regulation 5 applies.

Relevant income for cluster area allowance

3.—(1) Tariff receipts are relevant income for the purposes of Chapter 9 of Part 8 of the Corporation Tax Act 2010, where the conditions in paragraph (2) are satisfied.

(2) The conditions are that: when the tariff receipts are taken into account in calculating the company's adjusted ring fence profits,—

- (a) the tariff receipts are attributable to a licensed area or sub-area that is wholly or partly included in a cluster area**(b)**, and
- (b) the company is a licensee**(c)** in the licensed area or sub-area wholly or partly included in a cluster area.

(3) This regulation does not apply where regulation 5 applies.

Amendment of Part 8 the Corporation Tax Act 2010

4.—(1) Part 8 of the Corporation Tax Act 2010 is amended as follows—

(a) In section 332F (Activation of allowance: no change of equity share) after subsection (8) insert—

“(9) Where a company has relevant income which is partly attributable to a qualifying oil field that income is to be attributed to the qualifying oil field on a just and reasonable basis.”

(b) In section 356JH (Activation of allowance: no change of equity share) after subsection (8) insert—

“(9) Where a company has relevant income which is partly attributable to a cluster area, that income is to be attributed to the cluster area on a just and reasonable basis.”

Excluded Tariff Receipts: arrangements

5.—(1) For the purposes of these regulations, tariff receipts are not relevant income to the extent that they arise in connection with any arrangement in respect of which the main purpose, or one of the main purposes, of entering into the arrangements is to—

- (a) enable tariff receipts to qualify as relevant income, if they would not otherwise meet the conditions specified in regulation 2 or 3;
- (b) enable tariff receipts to qualify as relevant income on a date earlier or later than the date on which they would otherwise have qualified;
- (c) generate, or increase generation of tariff receipts to qualify as relevant income; or
- (d) generate tariff receipts to qualify as relevant income earlier or later than they would otherwise have qualified.

(2) In paragraph (1) “arrangement” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

Date _____ *Name*
Two of the Lords Commissioners of Her Majesty's Treasury *Name*

(a) The meaning of “licensee” is given in section 12(1) of Part 1 of the Oil Taxation Act 1975 (c. 22). This section was amended but no amendments are relevant for these Regulations.

(b) The meaning of “cluster area” is given in section 356JD of the Corporation Tax Act 2010. Section 356JD was inserted by section 50, paragraphs 1 and 2 of Schedule 13 of the Finance Act 2015.

(c) The meaning of “licensee” is given in section 12(1) of Part 1 of the Oil Taxation Act 1975.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations provide for certain tariff receipts to be brought within the definition of relevant income for the purposes of the investment allowance (Chapter 6A of Part 8 of the Corporation Tax Act 2010) and the cluster area allowance (Chapter 9 of Part 8 of the Corporation Tax Act 2010).

Regulation 1 provides for citation, commencement and effect. Authority for retrospective effect is given by section 332F (5) and section 356JH (5) of the Corporation Tax Act 2010.

Regulations 2 and 3 respectively specify the conditions that must be satisfied for tariff receipts to constitute relevant income for the purposes of investment allowance and cluster area allowance.

Regulation 4 amends Part 8 of the Corporation Tax Act 2010, by inserting new subsections (9) into section 332F and section 356JH, with the effect that where a company has relevant income only partly attributable to a qualifying oil field or cluster area as the case may be, it must be attributed on a just and reasonable basis.

Regulation 5 removes from the scope of relevant income any tariff receipts which arise in connection with any arrangements which have as a main purpose, or one of the main purposes, enabling tariff receipts to qualify as relevant income where they would not otherwise do so.

A Tax Information Notice and Impact Note covering this instrument will be published alongside the draft legislation explaining the changes to the Investment Allowance and Cluster Area Allowance and will be available on the website <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.