

**1 Increase in rate of energy (oil and gas) profits levy**

- (1) In section 1 of the Energy (Oil and Gas) Profits Levy Act 2022 (charge to tax), in subsection (1), for “35%” substitute “38%”.
- (2) The amendment made by subsection (1) has effect for accounting periods beginning on or after 1 November 2024.
- (3) In the case of an accounting period (a “straddling period”) beginning before 1 November 2024 and ending on or after that date—
  - (a) the Energy (Oil and Gas) Profits Levy Act 2022 is to apply as if so much of the straddling period as falls before that date, and so much of the straddling period as falls on or after that date, were separate accounting periods, and
  - (b) the company’s levy profits or loss determined for the straddling period (on the assumption that the whole of that period were a qualifying period) are apportioned to the two separate accounting periods in accordance with section 17 of that Act, which is to apply for the purposes of this section as it applies for the purposes of sections 15 and 16 of that Act.
- (4) In the case of a straddling period, the Instalment Payments Regulations 1998 are to apply separately—
  - (a) in relation to the levy, and
  - (b) in relation to any other tax chargeable on the company.
- (5) In their application as a result of subsection (4)(a), the Instalment Payments Regulations 1998 are to have effect in relation to the levy—
  - (a) as if the two separate accounting periods deemed to arise under subsection (3)(a) were accounting periods for the purposes of those Regulations and as if the levy were chargeable for those deemed accounting periods, but
  - (b) as if the final instalment payment for the deemed accounting period ending on 31 October 2024 became due and payable on the date on which the next instalment payment after 31 October 2024 would have become due and payable for the straddling period in the absence of this section.
- (6) Any reference in the Instalment Payments Regulations 1998 to the total liability of a company is accordingly to be read—
  - (a) in their application as a result of subsection (4)(a), as a reference to the levy, and
  - (b) in their application as a result of subsection (4)(b), as a reference to the amount that would be the company’s total liability for the straddling period if the levy were left out of account.
- (7) For the purposes of the Instalment Payments Regulations 1998—
  - (a) a company is to be regarded as a large company as respects the deemed accounting periods under subsection (3)(a) only if it is a large company for those purposes as respects the straddling period, and

- (b) any question whether a company is a large company as respects the straddling period is to be determined as it would have been determined apart from section 1 of the Energy (Oil and Gas) Profits Levy Act 2022.
- (8) In this section “the Instalment Payment Regulations 1998” means the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175).

## 2 Relief from levy for investment expenditure

- (1) The Energy (Oil and Gas) Profits Levy Act 2022 is amended as follows.
- (2) For section 2 substitute—

### “2 Additional expenditure treated as incurred for purposes of section 1

- (1) This section applies for the purposes of section 1 if, in a qualifying accounting period, a company has incurred investment expenditure.
- (2) Expenditure is “investment expenditure” of a company so far as the expenditure—
  - (a) is capital expenditure on the de-carbonisation of its upstream petroleum production,
  - (b) is incurred for the purposes of oil-related activities,
  - (c) is not incurred for disqualifying purposes, and
  - (d) does not consist of financing costs or decommissioning costs.
- (3) For the purposes of section 1 the company is to be treated as if, in addition to the investment expenditure incurred by it in the accounting period, it had incurred in that period expenditure of an amount equal to 66% of the amount of that investment expenditure.
- (4) For the purposes of this section—
  - (a) if investment expenditure is incurred partly for the purposes of oil-related activities and partly for other purposes, the expenditure is to be attributed to the oil-related activities on a just and reasonable basis, and
  - (b) if a company incurs expenditure part of which is capital expenditure on the de-carbonisation of its upstream petroleum production and part of which is not, the expenditure is to be apportioned on a just and reasonable basis.
- (5) This section needs to be read with section 6 (which prevents recycling etc of assets to generate relief).”
- (3) Omit sections 3 and 4 (definitions of “operating expenditure” and “leasing expenditure”).
- (4) In section 7(1) (when investment expenditure is incurred)—
  - (a) in paragraph (a), omit “in the case of capital expenditure,”, and
  - (b) omit paragraph (b).

- (5) In section 18(1) (interpretation), omit the definitions of “leasing expenditure” and “operating expenditure”.
- (6) The amendments made by this section have effect in relation to expenditure incurred on or after 1 November 2024 (and section 7 of the Energy (Oil and Gas) Profits Levy Act 2022 applies for the purposes of this section as it applies for the purposes of that Act).