Draft Regulations laid before the House of Commons under section 332F(8) and section 356JH(8) of the Corporation Tax Act 2010, for approval by resolution of that House.

DRAFT STATUTORY INSTRUMENTS

2018 No. XXXX

CORPORATION TAX

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

Made - - - - ***

Coming into force in accordance with regulation 1

The Treasury, in exercise of the powers conferred by section 332F(3)(b), (4) and (5) and section 356JH(3)(b), (4) and (5) of the Corporation Tax Act 2010(**1**), make 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, effect and interpretation

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 the day after the day on which they are made.

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

(3) In these Regulations references to a Chapter, Part or section are references to that Chapter, Part or section of the Corporation Tax Act 2010.

Relevant income for investment allowance

2.—(1) Tariff receipts are relevant income for the purposes of Chapter 6A of Part 8, where the condition in paragraph (2) is satisfied.

(**1**) 2010 c. 4. Section 332F was inserted by paragraphs 1 and 2 of Schedule 12 to 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 paragraphs 1 and 2 of Schedule 13 to the Finance Act 2015. Section 356JH was amended by section 63 of the Finance Act 2016.

(**2**) 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) was substituted by, and sections 291(10) and section 291A were inserted by, section 22 of the Finance Act 2018 (c. 3).

(2) The condition is that when the tariff receipts are taken into account in calculating the company's adjusted ring fence profits(**3**) for the accounting period, the tariff receipts are attributable to the qualifying oil field(**4**) mentioned at section 332F(1)(a).

Relevant income for cluster area allowance

3.—(1) Tariff receipts are relevant income for the purposes of Chapter 9 of Part 8, where the condition in paragraph (2) is satisfied.

(2) The condition is that when the tariff receipts are taken into account in calculating the company's adjusted ring fence profits for the accounting period, the tariff receipts are attributable to a licensed area or sub-area that is wholly or partly included in the cluster area(**5**) mentioned at section 356JH(1)(a).

Amendment of Part 8

4.—(1) Part 8 is amended as follows—

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

"(9) Where a tariff receipt of the company relates only partly to the oil field mentioned in subsection (1), for the purposes of subsection (3)(b) the tariff receipt is to be attributed to the oil field on a just and reasonable basis.

(10) If the company has entered into any arrangements the purpose, or one of the main purposes of which is—

(a) to cause income to fall within subsection (3)(b), or

(b) to advance the time at which any income falls within that provision,

any income arising in connection with the arrangement is not regarded as a tariff receipt for the purposes of subsection (3)(b).

(11) In subsection (10) "arrangement" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).".

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

"(9) Where a tariff receipt of the company relates only partly to the cluster area mentioned in subsection (1), for the purposes of subsection (3)(b) the tariff receipt is to be attributed to the cluster area on a just and reasonable basis.

(10) If the company has entered into any arrangements the purpose, or one of the main purposes of which is—

(a) to cause income to fall within subsection (3)(b), or

(b) to advance the time at which any income falls within that provision,

any income arising in connection with the arrangement is not regarded as a tariff receipt for the purposes of subsection (3)(b).

(11) In subsection (10) "arrangement" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).".

(**3**) The meaning of "ring fence profits" is given in section 276 of the Corporation Tax Act 2010.
(**4**) The meaning of "qualifying oil field" is given in section 332B of the Corporation Tax Act 2010. Section 332B was inserted by paragraphs 1 and 2 of Schedule 12 to the Finance Act 2015.
(**5**) The meaning of "cluster area" is given in section 356JD of the Act. Section 356JD was inserted by paragraphs 1 and 2 of Schedule 13 to the Finance Act 2015.