

Exploration expenditure. F(TPCM)A 74 s7A; FA90 s39(d) 679.—(1) (a) In this section—

“exploration company” means a company, the business of which for the time being consists primarily of exploring for scheduled minerals;

“exploring for scheduled minerals” means searching in the State for deposits of scheduled minerals or testing such deposits or winning access to such deposits, and includes the systematic searching for areas containing scheduled minerals and searching by drilling or other means for scheduled minerals within those areas, but does not include operations which are operations in the course of developing or working a qualifying mine.

(b) This section shall apply as respects expenditure incurred on or after the 1st day of April, 1990.

(2) Subject to subsections (3) to (5), for as long as a company—

(a) is an exploration company,

(b) does not carry on a trade of working a qualifying mine, and

(c) incurs capital expenditure (including such expenditure incurred on the provision of plant and machinery) for the purposes of exploring for scheduled minerals,

the company shall be deemed for the purposes of sections 673, 674 (3), 677 and 678 and the other provisions of the Tax Acts, apart from section 672, subsections (1), (2) and (4) of section 674 and sections 675, 676, 680, 681, 682 and 683 —

(i) to be carrying on a trade of working a qualifying mine,

(ii) to come within the charge to corporation tax in respect of that trade when it first incurs the capital expenditure referred to in paragraph (c), and

(iii) to incur for the purposes of that trade that expenditure incurred on the provision of plant and machinery,

so that all allowances or charges to be made for an accounting period by virtue of this subsection and section 673, 677 or 678 shall be given effect by treating the amount of any allowance as a trading expense of that trade in the period and by treating the amount on which any such charge is to be made as a trading receipt of that trade in the period.

(3) Where by virtue of subsection (2) a company is to be treated as incurring a loss in a trade in an accounting period, the company—

(a) shall be entitled to relief in respect of the loss under section 157, subsections (1) to (3) of

section 396 and subsections (1) and (2) of section 397 as if for “trading income from the trade” or “trading income”, wherever occurring in sections 396 and 397, there were substituted “profits (of whatever description)”, and

(b) subject to subsection (4)(b)(ii), shall not otherwise be entitled to relief in respect of the loss or to surrender relief under section 420 (1) in respect of the loss.

(4) (a) Any asset representing exploration expenditure in respect of which an allowance or deduction has been made to a company by virtue of subsection (2) and section 673 shall for the purposes of section 670 (11) be treated as an asset representing capital expenditure incurred in connection with the mine which the company is deemed to be working by virtue of subsection (2), and the company shall not cease to be deemed to be carrying on the trade of working that mine, so as to be within the charge to corporation tax in respect of that trade, before any sale of such an asset in the event of such a sale.

(b) Subject to paragraph (c), where a company begins at any time (in this paragraph and in paragraph (c) referred to as “the relevant time”) to carry on a trade of working a qualifying mine and accordingly ceases to be deemed to carry on such a trade, the company shall be treated as carrying on the same trade before and after that time for the purposes of—

(i) any allowance, charge or trade receipt treated as arising by reference to any capital expenditure incurred before the relevant time, and

(ii) relief, other than by virtue of subsection (3), under section 396 (1) for any losses arising before the relevant time, in so far as relief has not already been given for those losses by virtue of this section.

(c) Paragraph (b) shall not apply where there is a change in the ownership of the company within a period of—

(i) 12 months ending at the relevant time, or

(ii) 24 months beginning at the relevant time.

(d) Schedule 9 shall apply for the purposes of supplementing this subsection.

(5) (a) Notwithstanding any other provision of the Tax Acts, where an allowance or deduction has been given by virtue of this section in respect of any expenditure, no other allowance or deduction shall be given by virtue of any provision of the Tax Acts, including this section, in respect of that expenditure.

(b) Paragraph (b) of section 261 shall apply to a company for as long as it is deemed by virtue of subsection (2) to be carrying on a trade of working a qualifying mine as if “who is not a company within the charge to corporation tax in respect of the payment” were deleted from that paragraph.