

Reduction of corporation tax. FA92 s77; FA95 s42(b) 686.—(1) In this section—

“petroleum profits on which corporation tax falls finally to be borne”, in relation to a company, means the amount of the petroleum profits of the company after making all deductions and giving or allowing all reliefs that for the purposes of corporation tax are made from, or given or allowed against, or are treated as reducing—

(a) those profits, or

(b) income or chargeable gains, if any, included in those profits;

“relevant petroleum lease” means a petroleum lease in respect of a relevant field, being a field discovered by petroleum exploration activities carried on under a licence (other than a petroleum lease) which authorises the carrying on of those activities for a period which, apart from any extension of the period or revision or renewal of the licence—

(a) is not longer than 10 years, where the petroleum lease is granted by the Minister for the Marine and Natural Resources before the 1st day of June, 2003,

(b) is longer than 10 years but not longer than 15 years, where the petroleum lease is granted by the Minister for the Marine and Natural Resources before the 1st day of June, 2007, or

(c) is longer than 15 years, where the petroleum lease is granted by the Minister for the Marine and Natural Resources before the 1st day of June, 2013,

but a petroleum lease in respect of a relevant field shall be a relevant petroleum lease where—

(i) the field was discovered under a lease which is not a licence,

(ii) the lease under which the field was discovered expired before the petroleum lease is granted, and

(iii) the petroleum lease is granted by the Minister for the Marine and Natural Resources before the 1st day of June, 2003.

(2) (a) Subject to paragraph (b), corporation tax payable by a company for an accounting period shall be reduced by the amount, if any, determined by the formula—

$$I \times R - 25 \frac{\quad}{100}$$

where—

I is the amount for the accounting period of the income to which this section applies, and

R is the rate per cent of corporation tax specified in section 21 (1) for the financial year or years in which the accounting period falls.

(b) Notwithstanding paragraph (a), where part of the accounting period falls in one financial year (in this paragraph referred to as “the first-mentioned financial year”) and the other part falls in the financial year succeeding the first-mentioned financial year and different rates of corporation tax are in force under section 21 (1) for each of those years, then, R in paragraph (a) shall be the rate per cent determined by the formula—

$$(A \times C) \text{ _____ } E + (B \times D) \text{ _____ } E$$

where—

A is the rate per cent in force for the first-mentioned financial year,

B is the rate per cent in force for the financial year succeeding the first-mentioned financial year,

C is the length of that part of the accounting period falling in the first-mentioned financial year,

D is the length of that part of the accounting period falling in the financial year succeeding the first-mentioned financial year, and

E is the length of the accounting period.

(3) The income to which this section applies shall be the income of a company for an accounting period determined by the formula—

$$(F - G) \times S / T$$

where—

F is the amount for the accounting period of the company's petroleum profits on which corporation tax falls finally to be borne,

G is the amount to be included in the company's profits brought into charge to corporation tax for the accounting period in respect of chargeable gains accruing to the company from disposals of petroleum-related assets,

S is the aggregate of the income of the company for the accounting period which is—

(a) trading income attributable to sales of petroleum won by the company, or

(b) income, other than trading income, from the enjoyment or exploitation of petroleum rights,

under a relevant petroleum lease granted to the company or a company associated with the company, and

T is the aggregate of the income of the company for the accounting period from its petroleum trade or other petroleum activities.

(4) For the purposes of subsection (3), the income of a company for an accounting period which is trading income attributable to sales of petroleum won by the company under a relevant petroleum lease shall be the income, if any, determined by the formula—

$$O \times P / Q$$

where—

O is the income of the company for the accounting period from its petroleum trade,

P is the aggregate of money or money's worth receivable by the company from sales in the accounting period of petroleum won by it under the relevant petroleum lease, and

Q is the aggregate of money or money's worth receivable by the company from sales of petroleum in the accounting period in the course of carrying on its petroleum trade.