

Exploration expenditure incurred by certain companies. FA92 s85 694.—(1) For the purposes of section 693, where exploration expenditure (not being expenditure which has been or is to be met directly or indirectly by any other person) is incurred by a company (in this section referred to as an “exploration company”) and—

(a) another company is a wholly-owned subsidiary of the exploration company, or

(b) the exploration company is at the time the exploration expenditure is incurred a wholly-owned subsidiary of another company (in this section referred to as “the parent company”),

then, the expenditure or so much of it as the exploration company specifies—

(i) in the case referred to in paragraph (a), may at the election of the exploration company be deemed to have been incurred by such other company (being a wholly-owned subsidiary of the exploration company) as the exploration company specifies, and

(ii) in the case referred to in paragraph (b), may at the election of the exploration company be deemed to have been incurred by the parent company or by such other company (being a wholly-owned subsidiary of the parent company) as the exploration company specifies.

(2) Where under subsection (1) exploration expenditure incurred by an exploration company is deemed to have been incurred by another company (in this subsection referred to as “the other company”)—

(a) the expenditure shall be deemed to have been incurred by the other company at the time at which the expenditure was actually incurred by the exploration company,

(b) in a case where the expenditure was incurred at a time before the incorporation of the other company, that company shall be deemed to have been in existence at the time the expenditure was incurred, and

(c) in the application of section 693 to a petroleum trade carried on by the other company, the expenditure shall be deemed—

(i) to have been incurred by the other company for the purposes of that trade, and

(ii) not to have been met directly or indirectly by the exploration company.

(3) The same expenditure shall not be taken into account in relation to more than one trade by virtue of this section.

(4) A deduction or allowance shall not be made in respect of the same expenditure both by virtue of this section and under some other provision of the Tax Acts.

(5) A company shall for the purposes of subsection (1) be deemed to be a wholly-owned subsidiary of another company if and so long as all of its ordinary share capital is owned by that other company, whether

directly or through another company or other companies, or partly directly and partly through another company or other companies, and paragraph 6 of Schedule 9 shall apply for the purposes of supplementing this subsection as if the reference in that paragraph to that Schedule were a reference to this subsection.