HMRC - CFM97920 - Regimes: Oil & Gas

Part 8 of CTA 2010 deals with the corporation tax treatment of oil activities. Profits from the exploitation of oil and gas in the UK and on the UK continental shelf are subject to a special regime known as RFCT (Ring Fence Corporation Tax). Very broadly income from oil extraction activities (s272) or oil rights (s273) is treated as income (s275) from a ring fenced trade (s277) which comprises all oil-related activities (s274).

For CIR purposes the integrity of this ring fence is maintained and the rules exclude ring-fence activities entirely from the interest restriction calculation.

This includes:

Ring fence income (CTA10/S275)

A company’s aggregate gain or loss (TCGA92/S197(3))

This means that any amounts taken into account in the calculation of the ring fence profits need to be excluded from the amounts of tax-interest and tax-EBITDA for the group in respect of the period of account. As a result, no restriction can be allocated to the ring-fenced business.