HMRC - OT21520 - Onshore Allowance - Reduction Of Adjusted Ring Fence Profits

CTA2010\S356D and S356DA

A company’s adjusted ring fence profits for an accounting period are reduced by the cumulative total amount of activated allowance for that accounting period (but profits are not to be reduced below zero). The cumulative amount of activated allowance for the accounting period is:

A + C

where

A is the total of any amounts of activated allowance the company has, for any sites, for the accounting period (S356E(2) or S356GB(1)), and

C is any unused activated allowance carried forward from the previous period under S356DA. (It follows that for the first period in which the allowance is activated C will be nil).

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Straddling accounting period (FA2014\Sch15\Para 8-10)

Where a company has an accounting period (the “straddling accounting period”) that begins before and ends on or after the commencement day then the “appropriate proportion” of the company’s adjusted ring fence profits is used which, for the straddling accounting period is—

D/Y x N

where

D is the number of days in the straddling accounting period that fall on or after commencement day,

Y is the number of days in the straddling accounting period, and

N is the amount of the company’s adjusted ring fence profits for the accounting period.

If this basis of apportionment is felt by the company to work unjustly or unreasonably, they may elect for apportionment on a just and reasonable basis specified in the election.

The commencement day is 5 December 2013 unless companies have elected to defer that date under the transitional rules (see OT21503 and CTA2010\S356B Overview) when commencement day is 1 January 2015.

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S356DB Companies with both field allowances and onshore allowance

Where a company has both field allowances under CTA2010\S333(1) and onshore allowance under CTA2010\S356D(1) then it may choose the order in which the different allowances are to be used.

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