HMRC - OT21525 - Onshore Allowance - Activated And Unactivated Onshore Allowance The Basic Calculation Rules

CTA2010\S356E Activation of allowance - no change of equity share

The amount of activated allowance the company has for an accounting period in relation to a particular site is the smaller of:

the closing balance of unactivated allowance held for the accounting period and the site;

the company’s relevant income for that accounting period from that site.

Relevant income, in relation to a site and an accounting period of a company, means production income of the company from any oil extraction activities carried on at the site that is taken into account in calculating the company’s adjusted ring fence profits for the accounting period.

Production income is taken to mean all arms length sales and non arms length sales of oil and gas but would exclude tariff receipts for use of infrastructure. Certain capacity payments may be included if they are treated as extra consideration for the oil or gas sold.

Gas used for production purposes, for example, reinjected gas would not be included as production income as there has been no disposal.

Top of page

CTA2010\S356EA The closing balance of unactivated allowance for an accounting period

The closing balance of unactivated allowance held by a company for an accounting period and a site is:

P + Q - R

where

P is the amount of onshore allowance generated by the company in the accounting period at the site including any amount treated as generated by the company in that accounting period at that site by way of transfer of allowance between sites or by acquisition of equity share (S356F(7) or S356HB(1) respectively).

Q is any amount carried forward from an immediately preceding accounting period under S356EB(2) or from an immediately preceding reference period under S356GC;

R is any amount by way of reduction of allowance if equity is disposed of (S356GD(1)).

Top of page

CTA2010\S356EB Carrying forward of unactivated allowance

S356EB ensures that the closing balance of unactivated allowance for any accounting period is then reduced by the amount activated under S356E(2) before being carried forward to the next accounting period.

Previous page

Next page