HMRC - OT22005 - Summary Of The Statutory Provisions

CTA10\S286

The aim of CTA10\S286 is to allow a deduction for interest against ring fence profits only if the money borrowed is used to meet expenditure incurred in carrying on oil extraction activities or in acquiring oil rights other than from a connected person, or is appropriated to meet such expenditure. These restrictions apply whether the borrowing is from an associate or not. The section is applicable only to a company with ring fence profits.

Summary of changes to this section

This legislation has been amended several times since it was incorporated into ICTA88 as S494. The main changes in order of amendment are as follows:

S494(1) and (2) were restated in terms of loan relationship legislation for accounting periods ending after 31 March 1996 and deduction for interest paid to associated companies was allowed provided the interest was at commercial rates.

S494(4) and (5) were repealed with effect from 1 April 1998, and replaced by ICTA88\S494A as part of the FA98 recasting of the rules for income from property.

S494(2)(c) and (d) were amended and ICTA88\S494(2ZA), (2A) and (2B) inserted when debits and credits on loan relationship exchange gains and losses were brought into the loan relationship legislation in FA02 with effect for accounting periods beginning after 30 September 2002.

S494(2)(d) and (2B) (the restriction by reference to a reasonable commercial rate of return) were repealed and their effect was superseded by ICTA88\Sch28AA paragraphs 1A and 1B. This change has effect for accounting periods beginning on or after 1 April 2004.

S494(3) was repealed when the scope of the charges legislation in ICTA88\S338 was restricted to charitable donations for payments made on or after 16 March 2005.

The legislation has now been consolidated at CTA10\S286; Restriction on debits to be brought into account; and CTA10\S287; Restriction on credits to be brought into account.

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