HMRC - OT26083 - Qualifying Companies And Qualifying Expenditure

ICTA88\Sch19B\para2, ICTA88\Sch19B\para6

A company can claim EES only if it is a “qualifying company”.

A company is a qualifying company for EES if it is carrying on a ring fence trade or is engaged in oil and gas E&A with a view to carrying on a ring fence trade. The term “ring fence trade” is explained at OT21002 onwards. Oil and gas E&A is defined at ICTA88\S837B (OT26002).

Expenditure is qualifying expenditure for EES provided all the following conditions are satisfied:

the expenditure must be incurred on or after 1 January 2004 but before 1 January 2006. The general rule for when expenditure is incurred is at CAA01\S5

the expenditure must fall within Part 6 of CAA01 (capital allowances for research and development) and be incurred on research and development consisting of oil and gas E&A.

R&D allowances on the expenditure are claimed under CAA01\S441

the expenditure must be incurred in the course of oil extraction activities (see OT21003) as part of a ring fence trade or, if the company has not yet started a ring fence trade when it incurs the expenditure, it sets up a ring fence trade connected with the R&D.

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