HMRC - OT26130 - Pre-Commencement Supplement

CTA2010\S315

A company may, before it starts to trade, acquire a licence interest and carry out oil exploration and appraisal activities in relation to that interest. Qualifying companies (see OT26108) that incur qualifying pre-commencement expenditure (see OT26135) on or after 1 January 2006, but before they set up and commence a ring fence trade can claim RFES under the rules for pre-commencement supplement.

Pre-commencement RFES is calculated at the relevant percentage (see OT26106) of the reference amount for each pre-commencement period. The reference amount is the amount in the RFES ‘mixed pool’ (see OT26140) for the accounting period before RFES for the period is added. If the accounting period is less than 12 months long, the RFES rate is reduced proportionately.

Making claims

Claims for pre-commencement RFES are made as a claim in the accounting period in which the ring fence trade begins (the commencement period). Effect is given to the claim by treating the amount of pre-commencement RFES as expenditure incurred by the company in the commencement period which is allowable as a deduction in computing ring fence profits of that period.

The time limits for making the claim in the commencement period are the same limits as apply for making group relief claims (as set out in FA98\Sch18\para74) broadly 12 months after the filing date for the claimant company’s return.

E&A expenditure incurred before 1 January 2006

For pre-commencement exploration and appraisal expenditure incurred between 1 January 2004 and 31 December 2005, EES was available for qualifying expenditure (see OT26090). Any amounts unrelieved at 31 December 2005 and accumulated EES are included in the RFES pre-commencement ‘mixed pool’.

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