

### Cost of Tax Reliefs for Upstream Oil and Gas as estimated by HMRC (12 January 2023)

£ million	Description	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Objectives
<b>Corporation Tax</b>									
Capital allowances: ring-fence oil business trades, first-year capital allowances for plant or machinery	Accelerated rate (100%) of capital allowance for expenditure by a company on plant or machinery for use wholly in a ring-fence trade.	1,500	1,500	1,400	1,700	1,200	770*	1,100*	To encourage investment to maximise the economic recovery of the UK's oil and gas resources.
Allowances against Supplementary Charge (field allowances, brown field allowance, onshore allowance, cluster area allowance and investment allowance)	Allowance against supplementary charge for capital expenditure for onshore and offshore oil-related activities.	95	120	250	240	85	340*	850*	To encourage investment to maximise the economic recovery of the UK's oil and gas resources.
Ring Fence Expenditure Supplement (RFES)	The aim of RFES is to help companies involved in exploring for oil or gas, or in the development phase in the UK or on the UK Continental Shelf that do not yet have any taxable income against which to set their costs and capital allowances. RFES adds a supplement to the value of unused expenditure carried forward from one period to another, to maintain the time value of exploration, appraisal and development costs.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	To help companies involved in exploring for oil or gas, or in the development phase in the UK or on the UK Continental Shelf that do not yet have any taxable income against which to set their costs and capital allowances.
Tax relief from expenditure to decommission oil and gas infrastructure on the UK continental shelf.	Tax relief from expenditure to decommission oil and gas infrastructure on the UKCS.	520	650	700	590	450	570	880*	To support continued investment in the UK Continental Shelf by providing tax relief for decommissioning – a significant cost incurred as a result of a legal obligation to decommission fields and infrastructure at the end of their productive lives.
<b>Petroleum Revenue Tax</b>									
Tax relief from expenditure to decommission oil and gas infrastructure on the UK continental shelf.	Broadly, tax relief is available under section 164 where a person who is carrying on a ring fence trade incurs 'general decommissioning expenditure' and the plant and machinery concerned has been brought into use for the purpose of that ring fence trade.	310	220	170	140	270	350	260*	
<b>Total cost of tax reliefs for decommissioning expenditure</b>		<b>830</b>	<b>870</b>	<b>870</b>	<b>730</b>	<b>720</b>	<b>920</b>	<b>1140*</b>	

Forecasts are indicated by an asterisk following the amount estimated.

HMRC note that their estimates do not represent the revenue raised by abolishing the reliefs and that they should not be summed.