
Changes to legislation: There are currently no known outstanding effects for the Oil Taxation Act 1975, Cross Heading: Definition of market value of oil. (See end of Document for details)

SCHEDULES

SCHEDULE 3

PETROLEUM REVENUE TAX: MISCELLANEOUS PROVISIONS

Definition of market value of oil

2 [F¹(1) [F²Except in the case of light gases] the market value of [F³any particular quantity of oil of any kind on any day] shall be determined for the purposes of this Part of this Act in accordance with this paragraph [and, accordingly, references in the following provisions of this paragraph to oil do not apply to light gases].]

[F⁴(1A) This paragraph makes different provision according to whether the oil is—

- (a) Category 1 oil of any kind, or
- (b) Category 2 oil of any kind.

(1B) For the purposes of this Act—

- (a) Category 1 oil is oil of any of one or more kinds specified as such in regulations made for the purpose by the Board;
- (b) Category 2 oil is oil of any other kind.

(1C) The Board may specify oil of any particular kind as Category 1 oil only if they are satisfied that reports of prices for sales of oil of that kind are published and widely available (whether or not on payment of a fee).]

[F⁵(2) The market value of any particular quantity of Category 1 oil of any kind is the price for which that quantity of oil of that kind might reasonably have been expected to be sold under a contract of sale that meets the following conditions—

- (a) the contract is for the sale of the oil at arm's length to a willing buyer;
- (b) the contract is for delivery of a single standard cargo of the oil;
- (c) the contract specifies a period of three days within which loading of the oil is to take place and that period includes the notional delivery day for the actual oil;
- (d) the contract requires the oil to have been subjected to appropriate initial treatment before delivery;
- (e) the contract requires the oil to be delivered—
 - (i) in the case of oil extracted in the United Kingdom, at the place of extraction; or
 - (ii) in the case of oil extracted from strata in the sea bed and subsoil of the territorial sea of the United Kingdom or of a designated area, at the place in the United Kingdom or another country at which the seller could reasonably be expected to deliver it or, if there is more than one such place, the one nearest to the place of extraction.

The terms as to payment which are to be implied in the contract are those which are customarily contained in contracts for the sale at arm's length of oil of the kind in question.

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- (2AA) The market value of any particular quantity of Category 2 oil of any kind is the price for which that quantity of oil of that kind might reasonably have been expected to be sold under a contract of sale that meets the following conditions—
- (a) the contract is for the sale of the oil at arm's length to a willing buyer;
 - (b) the contract provides for delivery of the oil on the notional delivery day for the actual oil or within such period that includes that day as is normal under a contract at arm's length for the sale of oil of that kind (or, if there is more than one such period, the shortest of them);
 - (c) the contract is made on a date such that the period between that date and the notional delivery day for the actual oil is the normal period between contract and delivery in the case of a contract at arm's length for the sale of oil of that kind (or, if there is more than one such period, the shortest of them);
 - (d) the contract requires the oil to have been subjected to appropriate initial treatment before delivery;
 - (e) the contract requires the oil to be delivered—
 - (i) in the case of oil extracted in the United Kingdom, at the place of extraction; or
 - (ii) in the case of oil extracted from strata in the sea bed and subsoil of the territorial sea of the United Kingdom or of a designated area, at the place in the United Kingdom or another country at which the seller could reasonably be expected to deliver it or, if there is more than one such place, the one nearest to the place of extraction.

The terms as to payment which are to be implied in the contract are those which are customarily contained in contracts for the sale at arm's length of oil of the kind in question.]

[^{F6}(2E) For the purposes of sub-paragraph (2) or (2AA) above, the price of any quantity of Category 1 or Category 2 oil of any kind shall be determined in such manner, on the basis of such information, and by reference to such factors, as may be prescribed for oil of that Category and kind in regulations made by the Board.

- (2F) The provision that may be made by regulations under subsection (2E) above includes provision for or in connection with any or all of the following—
- (a) determining the price by reference to prices, or an average of prices, for sales of oil (whether or not oil of the Category or kind in question, and whether the prices are prices under actual contracts, prices that are published and widely available (whether on payment of a fee or otherwise) or prices ascertained or determined in some other way);
 - (b) the prices to be taken into account;
 - (c) the descriptions of contracts to be taken into account;
 - (d) the method to be used for determining an average of prices;
 - (e) the day or days, or period or periods, by reference to which prices, or any average of prices, is to be determined;
 - (f) the application of a prescribed price differential, in cases where the price of oil of one kind falls to be determined in whole or in part by reference to prices for oil of some other kind.

(2G) Sub-paragraph (2I) below has effect if, or in so far as, the Board are satisfied that it is impracticable or inappropriate to determine for the purposes of sub-paragraph (2) or (2AA) above the price of any oil in accordance with the provisions of regulations for the time being in force under sub-paragraph (2E) above.

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(2H) For that purpose it is immaterial whether the impracticability or inappropriateness is by virtue of—

- (a) an insufficiency of contracts or published prices that satisfy the conditions,
- (b) an insufficiency of information relating to such contracts or published prices, or
- (c) the nature of the market for oil of the kind in question,

or for any other reason.

(2I) Where this sub-paragraph has effect, the price is to be determined—

- (a) so far as it is practicable and appropriate to do so by reference to other contracts or published prices (whether or not relating to oil of the same kind) and in accordance with the principles set out in the regulations for determining an average of prices; and
- (b) so far as it is not practicable or appropriate to determine it as mentioned in paragraph (a) above, in such other manner as appears to the Board to be appropriate in the circumstances.]

^{F7}(3)

[^{F8}(3A) Where all or any of the oil whose market value falls to be ascertained in accordance with [^{F9}sub-paragraph (1) and sub-paragraph (2) or (2AA) above] has been subjected to initial treatment before being disposed of or relevantly appropriated, the appropriate initial treatment referred to in [^{F10}sub-paragraph (2)(d) or (2AA)(d) above] shall, as respects that oil, include the whole of that treatment.]

(4) The provisions of [^{F11}sub-paragraphs (2) and (2AA)] above shall apply for the ascertainment of the market value of oil in any case mentioned in paragraph 2(2) of Schedule 2 to this Act as they apply in relation to the corresponding case mentioned in those provisions.

[^{F12}(5) In this paragraph “prescribed” means specified in, or determined in accordance with, regulations.]

Textual Amendments

- F1** Sch. 3 para. 2(1)(2)(a)-(d) and part of (e) substituted for Sch. 3 para. 2(1)(2)(a) and part of (b) by [Finance Act 1987 \(c. 16\), s. 62\(3\)](#), [Sch. 11 para. 1\(2\)\(3\)](#) for chargeable periods ending after 31 December 1986
- F2** Words in Sch. 3 para. 2(1) inserted (3.5.1994) by [1994 c. 9, s. 236\(1\)](#), [Sch. 23 para. 3\(1\)\(a\)](#) (with saving in [s. 236\(2\)](#))
- F3** Words in Sch. 3 para. 2(1) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 146\(3\)](#)
- F4** Sch. 3 para. 2(1A)-(1C) inserted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 146\(4\)](#)
- F5** Sch. 3 para. 2(2)(2AA) substituted for Sch. 3 para. 2(2) (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 146\(5\)](#)
- F6** Sch. 3 para. 2(2E)-(2I) substituted for Sch. 3 para. 2(2A)-(2D) (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 146\(6\)](#)
- F7** Sch. 3 para. 2(3) repealed (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 146\(7\)](#), [Sch. 26 Pt. 5](#)
- F8** Sch. 3 para. 2(3A) inserted by [Finance Act 1980 \(c. 48\), s. 109\(6\)](#) in relation to chargeable periods ending after 31 December 1979

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- F9** Words in Sch. 3 para. 2(3A) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 146\(8\)\(a\)](#)
- F10** Words in Sch. 3 para. 2(3A) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 146\(8\)\(b\)](#)
- F11** Words in Sch. 3 para. 2(4) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 146\(9\)](#)
- F12** Sch. 3 para. 2(5) inserted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 146\(10\)](#)

Modifications etc. (not altering text)

- C1** See [Finance Act 1982 \(c. 39\), s. 134](#) and Sch. 18; [Finance Act 1986 \(c. 41\), s. 109](#)
- C2** Sch. 3 para. 2 applied (with modifications) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), ss. 225G\(6\)\(7\), 225J\(6\)\(7\)](#) (as inserted (for the tax year 2010-11 and subsequent tax years) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 1 para. 2](#) (with [Sch. 9 paras. 1-9, 22](#)))
- C3** Sch. 3 para. 2 applied (with modifications) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 285\(6\)\(7\)](#) (with [Sch. 2](#))
- C4** Sch. 3 para. 2 applied (with modifications) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 282\(6\)\(7\)](#) (with [Sch. 2](#))

^{F13}2A (1) Paragraph 2 above shall have effect in accordance with this paragraph where the oil whose market value falls to be ascertained at any time in accordance with sub-paragraphs ^{F14}(1) to ^{F15}(2I)] of that paragraph ^{F16}... consists of or includes gas.

[Sub-paragraphs (2) and (3) below also apply where the market value of any light ^{F17}(1A) gases falls to be ascertained under paragraph 3A below.]

(2) ^{F18}Sub-paragraph (2)(d) or (as the case may be) (2AA)(d) of paragraph 2 above] ^{F19}or, as the case may require, sub-paragraph (2)(b) of paragraph 3A below] shall not apply to so much of the oil as consists of gas unless—

- (a) it has been subjected to initial treatment before being disposed of or relevantly appropriated; or
- (b) it has, after being disposed of or relevantly appropriated, been subjected to initial treatment by or on behalf of the participator in question or by or on behalf of a person who is connected with him within the meaning of ^{F20}section 1122 of CTA 2010];

and where oil consisting of gas has, whether before or after being disposed of or relevantly appropriated, been subjected to initial treatment by or on behalf of the participator in question or by or on behalf of a person who is connected with him as aforesaid the appropriate initial treatment referred to in sub-paragraph ^{F14}(2)(d)] ^{F21}or (2AA)] of paragraph 2 above ^{F19}or, as the case may require, sub-paragraph (2)(b) of paragraph 3A below] shall include the treatment to which it has been so subjected.

(3) Where the initial treatment mentioned in sub-paragraph (2) ^{F22}or (2AA)] above includes treatment in order to separate gas of one or more kinds which are transported and sold in normal commercial practice, the market value of the gas of each such kind which is separated shall be ascertained in accordance with sub-paragraphs ^{F14}(1) to ^{F23}(2I)] of paragraph 2 ^{F24}or, as the case may require, in accordance with paragraph 3A below] as if that were the only oil whose market value fell to be ascertained at the time in question ^{F25}....

^{F26}(4)

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Textual Amendments

- F13** Sch. 3 para. 2A inserted by [Finance Act 1980 \(c. 48\)](#), [s. 109\(7\)](#) in relation to chargeable periods ending after 31 December 1979
- F14** Words substituted by [Finance Act 1987 \(c. 16\)](#), [s. 62\(3\)](#) and Sch. 11 para. 2 for chargeable periods ending after 31 December 1986
- F15** Word in Sch. 3 para. 2A(1) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 8\(2\)\(a\)](#)
- F16** Words in Sch. 3 para. 2A(1) repealed (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 8\(2\)\(b\)](#), [Sch. 26 Pt. 5\(1\)](#)
- F17** Sch. 3 para. 2A(1A) inserted (3.5.1994) by 1994 c. 9, s. 236(1), [Sch. 23 para. 3\(2\)](#) (with saving in [s. 236\(2\)](#))
- F18** Words in Sch. 3 para. 2A(2) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 8\(3\)\(a\)](#)
- F19** Words in Sch. 3 para. 2A(2) inserted (3.5.1994) by 1994 c. 9, s. 236(1), [Sch. 23 para. 3\(3\)](#) (with saving in [s. 236\(2\)](#))
- F20** Words in Sch. 3 para. 2A(2)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 165\(3\)](#) (with [Sch. 2](#))
- F21** Words in Sch. 3 para. 2A(2) inserted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 8\(3\)\(b\)](#)
- F22** Words in Sch. 3 para. 2A(3) inserted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 8\(4\)\(a\)](#)
- F23** Word in Sch. 3 para. 2A(3) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 8\(4\)\(b\)](#)
- F24** Words in Sch. 3 para. 2A(3) inserted (3.5.1994) by 1994 c. 9, s. 236(1), [Sch. 23 para. 3\(4\)](#) (with saving in [s. 236\(2\)](#))
- F25** Words in Sch. 3 para. 2A(3) repealed (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 8\(4\)\(c\)](#), [Sch. 26 Pt. 5\(1\)](#)
- F26** Sch. 23 para. 2A(4) repealed (3.5.1994) by 1994 c. 9, ss. 236(1), 258, Sch. 23 para. 3(5), [Sch. 26 Pt. VI Note 1](#) (with saving in [s. 236\(2\)](#))

Modifications etc. (not altering text)

- C5** See [Finance Act 1982 \(c. 39\)](#), [s. 134](#) and Sch. 18; [Finance Act 1986 \(c. 41\)](#), [s. 109](#)

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