

Changes to legislation: There are currently no known outstanding effects for the Oil Taxation Act 1975, Paragraph 2. (See end of Document for details)

SCHEDULES

SCHEDULE 4

PROVISIONS SUPPLEMENTARY TO SECTIONS 3 AND 4

Modifications etc. (not altering text)

C1 See Oil Taxation Act 1983 (c. 56), s. 3(6)

Restrictions on expenditure allowable under section 3 or 4

2 [F1(1) Where, in a transaction to which this paragraph applies, a person has incurred expenditure in acquiring, bringing into existence or enhancing the value of an asset, he shall at any time be treated for the purposes of—

- (a) sections 3 and 4 of this Act, and
- (b) sections 3 and 4 of and Schedule 1 to the ^{M1}Oil Taxation Act 1983,

[F2as having incurred that expenditure only to the extent that it does not exceed the lowest of the amounts described in sub-paragraph (1ZA) below which is applicable in the particular case.]

[Those amounts are—

- ^{F3}(1ZA) (a) the amount of expenditure (other than loan expenditure) incurred up to the time mentioned in sub-paragraph (1) above in a transaction to which this paragraph does not apply (or, if there has been more than one such transaction, the later or latest of them) in acquiring, bringing into existence, or enhancing the value of, the asset;
- (b) the amount of the open market consideration for the acquisition, bringing into existence, or enhancement of the value, of the asset;
- (c) in a case where the other party to the transaction is a participator in a taxable field and in the case of that participator either—
- (i) an amount is brought into account under section 2 of this Act in accordance with section 7(1) of the Oil Taxation Act 1983 as disposal receipts in respect of the transaction, or
 - (ii) no amount is so brought into account by reason of reductions falling to be made in the amount that would have been so brought into account apart from those reductions,
- the amount so brought into account or, as the case may be, nil;
- (d) in a case where the other party to the transaction is not a participator in a taxable field but—
- (i) the transaction is the latest in a series of transactions in respect of the asset (or in respect of an asset or assets in which the asset was comprised),
 - (ii) those transactions are transactions to which this paragraph applies,

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- (iii) in the case of at least one of those transactions, there is a party who is a participator in an oil field, and
 - (iv) in the case of any such party, an amount either is brought into account as mentioned in paragraph (c)(i) above in respect of the transaction or would have been so brought into account but for such reductions as are mentioned in paragraph (c)(ii) above,
so much of the amount so brought into account in respect of that transaction (or, where there are two or more such transactions, the later or latest of them) as is justly and reasonably referable to the asset mentioned in sub-paragraph (1) above (taking that amount as being nil in the case of any transaction where no amount is so brought into account by reason of any such reductions).]
- (1A) Subsections (1) to (3) of section 191 of the Finance Act 1993 apply to determine for the purposes of this paragraph what expenditure has at any time been incurred under a transaction to which this paragraph does not apply, as they apply in relation to expenditure for the allowance of which a claim is received by the Board after 16th March 1993.
- (1B) In sub-paragraph [^{F4}(1ZA)(a)] above “loan expenditure” means expenditure in respect of interest or any other pecuniary obligation incurred in obtaining a loan or any other form of credit.]
- [^{F5}(1C) The reference in sub-paragraph (1ZA)(b) above to the open market consideration for the acquisition, bringing into existence, or enhancement of the value, of an asset is a reference to the consideration which might reasonably have been given for the acquisition, bringing into existence, or enhancement of the value, of the asset (whatever the nature of the acquisition, bringing into existence or enhancement of the value) had it been made in a transaction to which this paragraph does not apply.]
- (2) This paragraph applies to any transaction between connected persons and to any transaction made otherwise than at arm’s length; and for the purposes of this paragraph a person is connected with another person if [^{F6}they are connected within the meaning of [^{F7}section 1122 of CTA 2010]].
- [^{F8}(3) The preceding provisions of this section shall, with any necessary modification, apply in relation to expenditure incurred by any person in acquiring an interest in an asset or in bringing into existence an asset in which he is to have an interest, or in enhancing the value of an asset in which he has an interest, as those provisions apply in relation to expenditure incurred by a person in acquiring, bringing into existence, or enhancing the value of an asset, as the case may be.
- (4) The provisions of sub-paragraphs (1) to (2) above shall, with any necessary modification, apply in relation to expenditure incurred by any person in respect of—
- (a) the use of an asset (including expenditure on renting or hiring), or
 - (b) the provision of services or other business facilities of whatever kind in connection with the use, otherwise than by that person, of an asset,
- as they have effect in relation to expenditure incurred in the acquisition of, or of an interest in, an asset.]

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Textual Amendments

- F1** Sch. 4 para. 2(1)-(1B) substituted for Sch. 4 para. 2(1) (27.7.1993 with effect as mentioned in s. 191(6)) for para. 2(1) by [1993 c. 34, ss. 191\(4\)\(6\)](#)
- F2** Words in Sch. 4 para. 2(1) substituted (with effect in accordance with s. 287(6) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 287\(2\)](#)
- F3** Sch. 4 para. 2(1ZA) inserted (with effect in accordance with s. 287(6) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 287\(3\)](#)
- F4** Word in Sch. 4 para. 2(1B) substituted (with effect in accordance with s. 287(6) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 287\(4\)](#)
- F5** Sch. 4 para. 2(1C) inserted (with effect in accordance with s. 287(6) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 287\(5\)](#)
- F6** Words substituted for Sch. 4 para. 2(2)(a)–(c) by [Finance \(No. 2\) Act 1979 \(c. 47\), s. 20\(2\)](#) in relation to expenditure claimed after 31 December 1978
- F7** Words in Sch. 4 para. 2(2) 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. 166\(2\)](#) (with Sch. 2)
- F8** Sch. 4 para. 2(3)(4) substituted for Sch. 4 para. 2(3) (27.7.1993 with effect as mentioned in s. 191(6)) by virtue of [1993 c. 34, ss. 191\(5\)\(6\)](#)

Modifications etc. (not altering text)

- C1** See [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), s. 495](#)
- C2** See [Oil Taxation Act 1983 \(c. 56\), Sch. 2 para. 5](#) in relation to transactions to which Sch. 4 para. 2 applies

Marginal Citations

- M1** [1983 c. 56.](#)

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