



Oil Taxation Act 1975

1975 CHAPTER 22

PART I

PETROLEUM REVENUE TAX

12 Interpretation of Part I.

(1) In this Part of this Act—

[^{F1}“business day” has the same meaning as in the Bills of Exchange Act 1882;]

[^{F2}“calendar month” (where those words are used) means a month of the calendar year;]

[^{F1}“Category 1 oil” and “Category 2 oil” have the meaning given by paragraph 2(1B) of Schedule 3 to this Act;]

“chargeable period”, in relation to an oil field, has the meaning given by section 1(3) of this Act;

“claim period”, in relation to an oil field, has the meaning given by paragraph 1 of Schedule 5 to this Act; “crude”, where the reference is to oil being disposed of or appropriated crude, refers to its being so dealt with without having been refined (whether or not it has previously undergone initial treatment); “determination”, in a context relating to an assessment or determination on or in relation to a participator, means a determination under Schedule 2 to this Act that a loss is allowable to him or that neither an assessable profit nor an allowable loss has accrued to him;

“initial storage”, in relation to oil won from an oil field, means the storage ^{F3} . . . of a quantity of oil won from the field not exceeding, in the case of storage in the United Kingdom [^{F4}or another country], a quantity equal to ten times the maximum daily production rate of oil for the field as planned or achieved (whichever is the greater), but does not include—

- (a) the storing of oil as part of or in conjunction with the operation of an oil refinery; or
- (b) deballasting; or
- (c) conveying oil in a pipe-line;

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“initial treatment”, in relation to oil won from an oil field, means the doing, at any place^{F3} . . ., of any of the following things, that is to say—

- (a) subjecting oil won from the field to any process of which the sole purpose is to enable the oil to be safely stored, safely loaded into a tanker or safely accepted by an oil refinery; or
- (b) [^{F5}separating oil so won and consisting of gas from other oil so won; or
- (c) separating oil so won and consisting of gas of a kind that is transported and sold in normal commercial practice from other oil so won and consisting of gas; or
- (d) liquifying oil so won and consisting of gas of such a kind as aforesaid for the purpose of transporting it; or
- (e) subjecting oil so won to any process of which the purpose is to secure that oil disposed of crude has the quality that is normal for oil so disposed of from the field,]

but does not include—

- (i) the storing of oil even where this involves the doing to the oil of things within [^{F6}any of paragraphs (a) to (e) of this definition] or
- (ii) [^{F7}any activity carried on as part of, or in association with, the refining of oil not consisting of gas or any activity the sole or main purpose of which is to achieve a chemical reaction in respect of oil consisting of gas; or]
- (iii) deballasting;

“land” includes land in the United Kingdom [^{F8}or another country] covered with water;

“licence” means a licence under [^{F9}Part I of the Petroleum Act 1998] or the ^{M1}Petroleum (Production) Act (Northern Ireland) 1964 authorising the winning of oil, and “licensed area” shall be construed accordingly;

“licensee” means—

- (a) the person entitled to the benefit of a licence or, where two or more persons are entitled to the benefit of a licence, each of those persons; and
- (b) a person who has rights under an agreement which is approved by the Board and is certified by the [^{F10}—

[^{F11}(ai) the Scottish Ministers, where the rights relate to oil in the Scottish onshore area, as defined in section 8A of the Petroleum Act 1998,]

- (i) the Welsh Ministers, where the rights relate to oil in the Welsh onshore area (as defined in section 8A of the Petroleum Act 1998), or
- to confer on that person rights which are the same as, or similar to, those conferred by a licence;

(ii) the OGA, where the rights relate to oil elsewhere,]

to confer on that person rights which are the same as, or similar to, those conferred by a licence;

[^{F12}“light gases”, except in relation to an election under section 134 of the Finance Act 1982 or section 109 of the Finance Act 1986, means oil consisting of gas of which the largest component by volume over any chargeable period, measured at a temperature of 15 degrees centigrade and a pressure of one atmosphere, is methane or ethane or a combination of those gases]

[^{F13}“the OGA” means the Oil and Gas Authority;]

“oil” has the meaning given by section 1(1) of this Act;

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“oil field” shall be construed in accordance with Schedule 1 to this Act [^{F14}(which also includes provision about areas that are to be treated as continuing to be oil fields)]^{F15} and “taxable field” and “non-taxable field” have the same meaning as in Part III of the Finance Act 1993];

“participator” (except in paragraph 4 of Schedule 2 to this Act) means, in relation to an oil field and [^{F16}a] chargeable period [^{F17}(“the relevant chargeable period”)]—

- (a) a person who is or was at any time in [^{F18}the relevant chargeable period] a licensee in respect of any licensed area then wholly or partly included in the field; and
- (aa) [^{F19}a person who is no longer a licensee in respect of any licensed area wholly or partly included in the field, but who—
 - (i) was such a licensee at any time in any chargeable period preceding the relevant chargeable period, and
 - (ii) ceased to be such a licensee because of a cessation event; and]
- (b) a person who is no longer a licensee in respect of any licensed area wholly or partly included in the field [^{F20}(and who does not fall within paragraph (aa) of this definition)], but who was such a licensee at any time in either of the two chargeable periods preceding [^{F18}the relevant chargeable period]; and
- (c) a person who is no longer a licensee in respect of any licensed area wholly or partly included in the field (and who does not fall within paragraph [^{F21}(aa) or] (b) of this definition), but who has or had at any time in [^{F18}the relevant chargeable period] a share of oil won (whether or not in that period) from the field, being a share with respect to any part of which either of the following conditions is or was satisfied at that time, that is to say—
 - (i) he has or had neither disposed of that part nor relevantly appropriated it; or
 - (ii) he has or had disposed of, but not delivered, that part; [^{F22}and
- (d) a former participator to whom an amount is attributed under paragraph 2A(2) of Schedule 5 in respect of a default payment made in relation to the field in the relevant chargeable period; and
- (e) a former participator to whom an amount was attributed under paragraph 2A(2) of Schedule 5 in respect of a default payment made in relation to the field in either of the two chargeable periods preceding the relevant chargeable period; and
- (f) a person who—
 - (i) made a default payment in relation to the field (whether the person was then a current participator or former participator),
 - (ii) is not a participator during the relevant chargeable period under any of paragraphs (a) to (e) of this definition, and
 - (iii) receives, in the relevant chargeable period, reimbursement expenditure (within the meaning of section 108(1)(c) of the Finance Act 1991) in respect of the default payment; and
- (g) a person who—
 - (i) made a default payment in relation to the field (whether the person was then a current participator or former participator),
 - (ii) is not a participator during the relevant chargeable period under any of paragraphs (a) to (f) of this definition, and

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- (iii) receives, in either of the two chargeable periods preceding the relevant chargeable period, reimbursement expenditure (within the meaning of section 108(1)(c) of the Finance Act 1991) in respect of the default payment;

^{F23} ...]

“pipe-line” means a pipe-line as defined in section 65 of the ^{M2}Pipe-lines Act 1962;

“production purposes”, in relation to an oil field, means any of the following purposes, that is to say—

- (a) carrying on drilling or production operations within the field; or
- (b) in the case of oil won from the field that was so won from strata in the sea bed and subsoil of either the territorial sea of the United Kingdom or a designated area, pumping it to the place where it is first landed in the United Kingdom [^{F24}or to the place in the United Kingdom [^{F25}or another country] at which the seller in a sale at arm’s length could reasonably be expected to deliver it or, if there is more than one place at which he could reasonably be expected to deliver it, the one nearest to the place of extraction]; or
- (c) the initial treatment of oil won from the field;

[^{F26}“refining”, in relation to oil, does not include subjecting it to initial treatment and “refined” and “refinery” shall be construed accordingly;];

“relevant licence”, in relation to a participator in an oil field, means any licence held or previously held by him in respect of a licensed area wholly or partly included in the field;

“relevantly appropriated”, in relation to oil won from an oil field, means appropriated to refining or to any use except use for production purposes [^{F27}in relation to that or any other oil field], and “relevant appropriation” shall be construed accordingly;

“the responsible person”, in relation to an oil field, has the meaning given by paragraph 4 of Schedule 2 to this Act;

“royalty”, in relation to a participator in an oil field, means royalty payable (but not, it is hereby declared, oil delivered) to the Secretary of State under any relevant licence;

“tax” or “the tax” means petroleum revenue tax.

^{F28}(1A) In the definition of “participator” in subsection (1)—

- (a) “cessation event”, in relation to an oil field to which a licence relates, means any of the following—
 - (i) determination of the licence by the licensee,
 - (ii) revocation of the licence by the [^{F29}OGA][^{F30}, the Scottish Ministers][^{F31}, the Welsh Ministers] or a Northern Ireland Department,
 - (iii) expiry of the licence at the end of its term,
 - (iv) the licensed area ceasing to include any relevant area whatsoever, by reason of the licensee surrendering the licence so far as it relates to the whole of the relevant area, and
 - (v) the licence ceasing to apply to the oil field by reason of the operation of the licence;

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- and for the purposes of sub-paragraph (iv) “relevant area” means an area which is, or combination of areas each of which is, included in the oil field (whether or not such an area falls partly outside the oil field);
- (b) “current participator”, “former participator” and “default payment” have the same meanings as in paragraph 2A of Schedule 5.]
- (2) In this Part of this Act any reference to the use of an asset in connection with an oil field is a reference to its use in connection with that field for one or more of the purposes mentioned in section 3(1) of this Act (excluding section 3(1)(b)).
- (3) In this Part of this Act any reference (however worded) to the doing of anything in a chargeable period in connection with an oil field or with oil won from an oil field shall, [^{F32}as regards the first chargeable period for any oil field], be construed as including the doing of that thing in connection with the area of the field as subsequently determined under Schedule 1 to this Act or, as the case may be, with oil won from that area.
- (4) In so far as a person is a participator in an oil field by virtue of a licence under the ^{M3}Petroleum (Production) Act (Northern Ireland) 1964, references in this Part of this Act to the Secretary of State [^{F33}or the OGA] (except references in Schedule 1) shall be construed in his case as references to the Department of Commerce for Northern Ireland.

Textual Amendments

- F1** Words in s. 12(1) inserted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 4\(2\)](#)
- F2** Words in s. 12(1) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 18 para. 4\(3\)](#)
- F3** Words in s. 12(1) repealed (16.7.1992 with effect as mentioned in ss. 55(3), 74(5) of the amending Act) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), ss. 55(3), 74, 82, [Sch. 15 para. 3\(a\)](#), [Sch. 18 Pt. VIII](#)
- F4** Words in s. 12(1) inserted (16.7.1992 with effect as mentioned in s. 74(5) of the amending Act) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), s. 74, [Sch. 15 para. 3\(b\)](#).
- F5** Paragraphs (b)–(e) substituted for paragraph (b) by [Finance Act 1980 \(c. 48\)](#), [s. 109\(2\)\(3\)](#) in relation to chargeable periods ending after 31 December 1979
- F6** Words substituted by [Finance Act 1980 \(c. 48\)](#), [s. 109\(2\)\(3\)](#) in relation to chargeable periods ending after 31 December 1979
- F7** Paragraph (ii) substituted by [Finance Act 1980 \(c. 48\)](#), [s. 109\(4\)](#) in relation to chargeable periods ending after 31 December 1979
- F8** Words in s. 12(1) inserted (16.7.1992 with effect as mentioned in s. 74(5) of the amending Act) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), s. 74, [Sch. 15 para. 3\(c\)](#).
- F9** Words in s. 12(1) substituted (15.2.1999) by 1998 c. 17, s. 50, [Sch. 4 para. 7\(3\)](#) (with s. 9(1)(2)); S.I. 1999/161, [art. 2\(1\)](#)
- F10** Words in s. 12(1) substituted (1.10.2018) by [Wales Act 2017 \(c. 4\)](#), s. 71(4), [Sch. 6 para. 19\(2\)](#) (with [Sch. 7 paras. 1, 6](#)); S.I. 2017/1179, reg. 4(b)
- F11** Words in s. 12(1) inserted (1.10.2018 immediately after 2017 c. 4, Sch. 6 Pt. 2 comes into force) by [The Scotland Act 2016 \(Onshore Petroleum\) \(Consequential Amendments\) Regulations 2018 \(S.I. 2018/79\)](#), regs. 1(3), [8](#)
- F12** S. 12(1): definition inserted (3.5.1994) by 1994 c. 9, [s. 236\(4\)](#)
- F13** Words in s. 12(1) inserted (1.10.2016) by [The Petroleum \(Transfer of Functions\) Regulations 2016 \(S.I. 2016/898\)](#), regs. 1(2), [4\(6\)\(a\)\(ii\)](#)
- F14** Words in s. 12(1) inserted (with effect in accordance with Sch. 42 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 42 para. 6](#)
- F15** Words in definition of “oil field” in s. 12(1) added (27.7.1993) by [Finance Act 1993 c. 34](#), [s. 185\(5\)](#)

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- F16** Word in s. 12(1) substituted (with effect in accordance with Sch. 42 para. 4 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 42 para. 2\(2\)\(a\)](#)
- F17** Words in s. 12(1) inserted (with effect in accordance with s. 102(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 102\(2\)](#)
- F18** Words in s. 12(1) substituted (with effect in accordance with s. 102(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 102\(3\)](#)
- F19** Words in s. 12(1) inserted (with effect in accordance with Sch. 42 para. 4 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 42 para. 2\(2\)\(b\)](#)
- F20** Words in s. 12(1) inserted (with effect in accordance with Sch. 42 para. 4 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 42 para. 2\(2\)\(c\)](#)
- F21** Words in s. 12(1) inserted (with effect in accordance with Sch. 42 para. 4 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 42 para. 2\(2\)\(d\)](#)
- F22** Words in s. 12(1) inserted (with effect in accordance with s. 102(5) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 102\(4\)](#)
- F23** Words in s. 12(1) omitted (with effect in accordance with Sch. 42 para. 4 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\), Sch. 42 para. 2\(2\)\(e\)](#)
- F24** Words inserted by [Finance \(No. 2\) Act 1979 \(c. 47\), s. 20\(1\)](#) in relation to expenditure claimed after 31 December 1978
- F25** Words in s. 12(1) inserted (16.7.1992 with effect as mentioned in s. 74(5) of the amending Act) by [Finance \(No. 2\) Act 1992 \(c. 48\), s. 74, Sch. 15 para. 3\(d\)](#).
- F26** Definitions inserted by [Finance Act 1980 \(c. 48\), s. 109\(5\)](#) in relation to chargeable periods ending after 31 December 1979
- F27** Words inserted by [Finance Act 1983 \(c. 49\), s. 39](#), deemed to be effective for chargeable periods ending after 31 December 1977
- F28** S. 12(1A) inserted (with effect in accordance with Sch. 42 para. 4 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 42 para. 2\(3\)](#)
- F29** Word in s. 12(1A)(a)(ii) substituted (1.10.2016) by [The Petroleum \(Transfer of Functions\) Regulations 2016 \(S.I. 2016/898\), regs. 1\(2\), 4\(6\)\(b\)](#)
- F30** Words in s. 12(1A)(a)(ii) inserted (9.2.2018) by [Scotland Act 2016 \(c. 11\), ss. 48\(19\), 72\(4\)\(c\)](#); [S.I. 2018/163, reg. 2\(b\)](#)
- F31** Words in s. 12(1A)(a)(ii) inserted (1.10.2018) by [Wales Act 2017 \(c. 4\), s. 71\(4\), Sch. 6 para. 19\(3\)](#) (with [Sch. 7 paras. 1, 6](#)); [S.I. 2017/1179, reg. 4\(b\)](#)
- F32** Words repealed by [Finance Act 1982 \(c. 39\), ss. 135\(4\), 157](#) and Sch. 22 Part IX in relation to determinations made after 31 December 1981
- F33** Words in s. 12(4) inserted (1.10.2016) by [The Petroleum \(Transfer of Functions\) Regulations 2016 \(S.I. 2016/898\), regs. 1\(2\), 4\(6\)\(c\)](#)

Modifications etc. (not altering text)

- C1** S. 12 applied (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\), ss. 197\(1\), 289](#) (with [ss. 60, 101\(1\), 171, 201\(3\)](#))
- C2** S. 12 applied by 1992 c. 12, s. 198E(6) (as inserted (with effect in accordance with Sch. 40 para. 13 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 40 para. 12](#))
- C3** Definition of “chargeable period” employed for purposes of [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), s. 500](#)
- C4** Definitions of “initial storage” and “initial treatment”: see [Oil Taxation Act 1983 \(c. 56\), Sch. 1 para. 1\(4\)](#) in relation to expenditure on associated assets used in connection with an external field.
- C5** Definitions of “initial storage”, “oil field” and “participator” applied for purposes of [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), s. 502](#)
- C6** Definitions of “licence”, “licensee” and “oil” applied for purposes of [Finance Act 1988 \(c.39, SIF 63:1,2\), ss. 62-64](#).
- C7** Definition of “relevantly appropriated”: see [Oil Taxation Act 1983 \(c. 56\), Sch. 2 para. 12\(2\)\(b\)](#) in relation to oil purchased at place of extraction

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- C8** Definitions of "relevant appropriation" applied for purposes of [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), [S. 493\(2\)](#)
- C9** S. 12(1) modified (temp.) (9.2.2018) by [The Scotland Act 2016 \(Onshore Petroleum\) \(Consequential Amendments\) Regulations 2018 \(S.I. 2018/79\)](#), regs. 1(2), [3](#) (with reg. 2)
- C10** The Department of Commerce for Northern Ireland to be construed as the Department of Economic Development by S.I. [1982 No. 846 \(N.I. 11\)](#) from 6 September 1982 by N.I. Order [1982 No. 221 \(C. 4\)](#)

Marginal Citations

- M1** [1964 c. 28 \(N.I.\)](#)
- M2** [1962 c. 58.](#)
- M3** [1964 c. 28 \(N.I.\)](#)

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