



Oil Taxation Act 1975

1975 CHAPTER 22

PART I

PETROLEUM REVENUE TAX

4 Allowance of expenditure on long-term assets.

- (1) Subject to subsection (13) below [^{F1}and section 1 of the Oil Taxation Act 1983], this section applies to expenditure (whether or not of a capital nature) which is incurred by a person at or before the time when he is a participator in an oil field, being expenditure incurred in acquiring, bringing into existence, or enhancing the value of an asset which is to be or is subsequently used in connection with the field and [^{F2}which, at the end of the first relevant claim period, is or is expected to be a long-term asset as defined in section 3(8) of the Oil Taxation Act 1983]:

Provided that this section shall not apply to expenditure incurred as aforesaid in any case where the Board consider that its application to that expenditure would have only a negligible effect on the total expenditure allowable under this Part of this Act for the field and so notify the responsible person.

- (2) The following provisions of this section are subject to Schedules 4, 5 and 6 to this Act.

- (3)^{F3}

- (5) Subject to the following provisions of this section, a proportion of the expenditure shall be allowable under this section on a claim for the first relevant claim period, and that proportion is . . .^{F3} the proportion which the time during which the asset has been used in [^{F2}connection with the field] in the period between the incurring of the expenditure or the asset's first use in [^{F2}connection with the field] (whichever is later) and the end of the first relevant claim period bears to the time between the incurring of the expenditure and the date when the asset's useful life is reasonably likely to end:

Provided that, where the asset was not used for any purpose in the period between the incurring of the expenditure and the asset's first use in connection with the field, the expenditure shall for the purposes of this subsection be treated as having been incurred on the date when the asset was first used in connection with the field.

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- (6) F3
- (7) [F²For each claim period subsequent to the first relevant claim period and] up to and including that in which use of the asset in connection with the field permanently ceases, the proportion of the expenditure allowable under this section for the relevant period shall be computed by applying the provisions of [F²subsection (5)] above with the omission of the words “on a claim” (wherever occurring) and the substitution of references to the relevant period for references to the first relevant claim period.
- For the purposes of this subsection “the relevant period”, in relation to a claim period, means the period consisting of that claim period and each earlier claim period back to and including that in which the expenditure was incurred.
- (8) If, as computed under subsection (7) above for any claim period, the proportion of the expenditure allowable for the relevant period exceeds the amount thereof which (taking into account any previous adjustments made under the following subsection) has been allowed on claims made for earlier claim periods falling within the relevant period, the excess shall be allowable under this section on a claim for that claim period.
- (9) If, as computed under subsection (7) above for any claim period, the proportion of the expenditure allowable for the relevant period is exceeded by the amount thereof which (taking into account any previous adjustments made under this subsection) has been allowed on claims made for earlier claim periods falling within the relevant period, the total amount of expenditure allowable under this and the preceding section on a claim for the first-mentioned claim period shall be reduced by an amount equal to the excess.
- (10) Subsections (3) to (5) of section 3 of this Act shall apply for the purposes of this section as they apply for the purposes of that section; and where in accordance with subsection (9) above the total amount of the expenditure allowable under this and the preceding section on a claim for any claim period is reduced, the amount falling to be taken into account under section 2(9)(b)(ii) or (c)(ii) of this Act by reference to that expenditure shall be reduced by a proportion equal to the proportion by which the total amount of that expenditure is so reduced.
- (11) For the purposes of [F²subsection (5) above (including that subsection as it applies] under subsection (7) above) an asset which is throughout any period of time simultaneously used partly in connection with the field and partly otherwise shall be treated as being used in connection with the field for a proportion of that period equal to the proportion which the extent of its use in the period in that connection bears to the extent of its use in the period in that connection and otherwise.
- (12) For the purposes of this section—
- (a) the asset is a brought-in asset if, between the time when it was acquired or brought into existence and its first use in connection with the field, the asset was used otherwise than in connection with the field; and
 - (b) “the first relevant claim period”—
 - (i) in the case of expenditure incurred in acquiring or bringing into existence a brought-in asset, means the claim period in which the asset was first used in connection with the field; and
 - (ii) in the case of any other expenditure, means the claim period in which the expenditure was incurred.
- (13) The preceding provisions of this section, and any other provisions in this Part of this Act as to which it is provided that this subsection applies, shall, with any necessary

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modifications, apply in relation to expenditure incurred by a 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 the provisions in question 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.

Textual Amendments

- F1** Words inserted by [Oil Taxation Act 1983 \(c. 56\)](#), **s. 1** in relation to expenditure incurred after 30 June 1982 on non-dedicated mobile assets
- F2** Words substituted by [Oil Taxation Act 1983 \(c. 56\)](#), **s. 1** in relation to expenditure incurred after 30 June 1982 on non-dedicated mobile assets
- F3** S. 4(3)(4)(5)(a) “(b)” and words and (6) repealed by [Oil Taxation Act 1983 \(c. 56\)](#), **s. 1** in relation to expenditure incurred after 30 June 1982 on non-dedicated mobile assets

Modifications etc. (not altering text)

- C1** See [Oil Taxation Act 1983 \(c. 56\)](#), **ss. 1–4** in relation to expenditure incurred after 30 June 1982 on long-term assets and s. 13(1)(b) and Sch. 5 of that Act for transitional provisions relating to expenditure incurred in a claim period beginning before and ending after 1 July 1982 but not later than 31 December 1983
- C2** S. 4 modified (3.5.1994) by [1994 c. 9](#), **ss. 231, 234**, **Sch. 22 Pt. II para. 12**
S. 4 restricted (27.7.1999 with application as mentioned) by [1999 c. 16](#), **s. 95(2)(9)(10)**
- C3** See [Finance Act 1980 \(c. 48\)](#), **s. 106** and Sch. 17
- C4** See [Finance Act 1980 \(c. 48\)](#), **s. 109(10)** as regards fractionation expenditure referable to use after 31 December 1979
- C5** See [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), **s. 495**

Changes to legislation:

There are currently no known outstanding effects for the Oil Taxation Act 1975, Section 4.