

SCHEDULES

SCHEDULE 8

Section 37.

RELIEFS FOR EXPLORATION AND APPRAISAL EXPENDITURE ETC.

PART I

SECTION TO BE INSERTED AFTER SECTION 5 OF THE PRINCIPAL ACT

“5A Allowance of exploration and appraisal expenditure.

- (1) The exploration and appraisal expenditure which, subject to the provisions of this section and Schedule 7 to this Act, is allowable in the case of a person who is a participator in an oil field is any expenditure (whether or not of a capital nature) which—
 - (a) is incurred after 15th March 1983 by that person or, if that person is a company, by that company or a company associated with it in respect of the expenditure ; and
 - (b) is so incurred wholly and exclusively for one or more of the purposes specified in subsection (2) below ; and
 - (c) at the time it is so incurred, does not relate to a field for which a development decision has previously been made.
- (2) The purposes referred to in subsection (1) above are—
 - (a) the purpose of searching for oil in the United Kingdom, the territorial sea thereof or a designated area ;
 - (b) the purpose of ascertaining the extent or characteristics of any oil-bearing area in the United Kingdom, the territorial sea thereof or a designated area ;
 - (c) the purpose of ascertaining what are the reserves of oil of any such oil-bearing area ; and
 - (d) subject to subsection (3) below, the purpose of making to the Secretary of State any payment under or for the purpose of obtaining a licence (not being a payment by way of royalty or other periodic payment).
- (3) Expenditure incurred for the purpose mentioned in subsection (2)(d) above is not allowable under this section unless, at the time the allowance is claimed.—
 - (a) the licence to which the expenditure related has expired or has been determined or revoked ; or
 - (b) part of the licensed area has been surrendered ;and where paragraph (b) above applies only that proportion of the expenditure which corresponds to the proportion of the licensed area which has been surrendered is expenditure falling within subsection (1) above.
- (4) Subject to subsection (5) below, subsections (2) and (4) to (8) of section 5 of this Act apply for the purposes of this section as they apply for the purposes of that section.

Status: This is the original version (as it was originally enacted).

- (5) In the application for the purposes of this section of the provisions of section 5 of this Act referred to in subsection (4) above.—
- (a) any reference in subsection (2) of section 5 to the purpose mentioned in subsection (1)(b) of that section shall be construed as a reference to any of the purposes specified in subsection (2) of this section ;
 - (b) the reference in subsection (2)(a) of section 5 to subsection (1) of that section shall be construed as a reference to subsection (1) of this section ; and
 - (c) the reference in subsection (6) of section 5 to a sum received does not include a reference—
 - (i) to a sum received from the disposal of oil won in the course of operations carried out for any of the purposes in paragraphs (a) to (c) of subsection (2) of this section ; or
 - (ii) to a sum received for the assignment of any of the rights conferred by a licence or of any interest in a licensed area.
- (6) Expenditure is not allowable under this section in connection with an oil field if, or to the extent that, it has been allowed under Schedule 5, Schedule 6 or Schedule 7 to this Act in connection with any oil field.
- (7) For the purposes of subsection (1)(c) above, a development decision is made when—
- (a) consent for development is granted to a licensee by the Secretary of State in respect of the whole or part of an oil field ; or
 - (b) a programme of development is served on a licensee or approved by the Secretary of State for the whole or part of an oil field ;
- and subsections (4) and (5) of section 36 of the Finance Act 1983 (meaning of development etc.) apply in relation to this subsection as they apply in relation to subsections (2) and (3) of that section.
- (8) If, at the time when it is incurred, expenditure relates to an area—
- (a) which is not then an oil field, but
 - (b) in respect of which notice of a proposed determination has previously been given under paragraph 2(a) of Schedule 1 to this Act,
- that area shall be treated for the purposes of this section as having become an oil field at the time the notice was given unless, when the actual determination is made, the area is not included in an oil field.””

PART II

AMENDMENTS RELATING TO THE NEW ALLOWANCE

The principal Act

- 1 In section 2(9) of the principal Act (amounts to be taken into account in respect of expenditure) at the end of paragraph (e) there shall be added “and
- (f) any exploration and appraisal expenditure allowable in the case of the participator under section 5A of this Act which, on a claim made by him under Schedule 7 to this Act, has been allowed under that Schedule before the Board have made an assessment to tax or a determination on or in relation to him for the period in respect of the

Status: This is the original version (as it was originally enacted).

field, so far as that expenditure has not been taken into account in any previous assessment to tax or determination.”

2 At the end of subsection (3) of section 3 of the principal Act (expenditure not allowable under that section if already allowed under other provisions) there shall be added the words " but where expenditure allowable under section 5A of this Act has been allowed on a claim under Schedule 7 to this Act, nothing in this subsection shall prevent a claim being made for an allowance under this section in respect of the same expenditure unless the person making the claim is the participator who made the claim under that Schedule " .

3 In section 5 of the principal Act (allowance of abortive exploration expenditure) in subsection (1) after the words " 1st January 1960 " there shall be inserted the words " and before 16th March 1983 " .

4 In section 9 of the principal Act (limit on amount of tax payable) in subsection (2) (a)(ii) for the words " and (e)" there shall be substituted the words " (e) and (f) " .

5 In paragraph 2 of Schedule 2 to the principal Act (returns by participators) at the end of sub-paragraph (2) there shall be inserted the following sub-paragraph: —

“(2A) Every participator in an oil field shall, in the first return under this paragraph which he makes for that field, state whether any and, if any, how much exploration and appraisal expenditure to which section 5A of this Act applies and which relates to, or to a licence for, any part of the field has been claimed under Schedule 7 to this Act—

(a) by him, or

(b) by a company associated with him in respect of that expenditure, or

(c) if he or such a company is the new participator, within the meaning of Schedule 17 to the Finance Act 1980, by the old participator, within the meaning of that Schedule, or by a company associated with him in respect of that expenditure,

and subsection (7) of section 5 of this Act applies for the purposes of this sub-paragraph as it applies for the purposes of that section.”

6 (1) In Schedule 7 to the principal Act (claims for allowance of abortive exploration expenditure) in paragraph 1(1), for the words from " of any " to " of this Act " there shall be substituted: —

“(a) of any abortive exploration expenditure allowable under section 5 of this Act, or

(b) of any exploration and appraisal expenditure allowable under section 5A of this Act”.

(2) In paragraph 1(3) of that Schedule, after the words " section 5 " there shall be added the words " or, as the case may be, section 5A. "

The Petroleum Revenue Tax Act 1980

7 In the Schedule to the Petroleum Revenue Tax Act 1980 (computation of payment on account) in paragraph 2(4) for the words " or (d) " there shall be substituted the words " (d) or (f) " .

Status: This is the original version (as it was originally enacted).

The Finance Act 1980

- 8 In Schedule 17 to the Finance Act 1980 (transfers of interests in oil fields) after paragraph 16 (abortive exploration expenditure) there shall be inserted—

“Exploration and appraisal expenditure

- 16A In relation to exploration and appraisal expenditure to which section 5A applies, paragraph 16 above has effect as if any reference therein to section 5 were a reference to section 5A.”

The Finance Act 1981

- 9 In section 111 of the Finance Act 1981 (restriction of expenditure supplement) in subsection (3)(a) after the words " abortive exploration expenditure " there shall be added the words " exploration and appraisal expenditure. "

PART III

RECEIPTS TO BE SET AGAINST ALLOWABLE EXPENDITURE

- 10 In this Part of this Schedule—
- "allowable expenditure" means expenditure which, in accordance with section 5 or section 5A of the principal Act, is allowable on a claim made by a participator under Schedule 7 to that Act; and
- " qualifying receipt" means a sum the amount of which falls, by virtue of subsection (6) of section 5 of the principal Act, to be applied by way of reduction in the amount of expenditure which would otherwise be allowable expenditure.
- 11 (1) A return made by a participator for a chargeable period under paragraph 2 of Schedule 2 to the principal Act shall give details of any qualifying receipt (whether received by him or by a person connected with him) of which details have not been given in a return made by him for an earlier chargeable period.
- (2) Section 533 of the Taxes Act (connected persons) applies for the purposes of this paragraph.
- 12 (1) This paragraph applies where—
- (a) a claim for allowable expenditure has been made by a participator under Schedule 7 to the principal Act; and
- (b) as a result of the receipt (whether before or after the making of the claim) of a qualifying receipt, the amount allowed by way of allowable expenditure on the claim exceeds what it should have been.
- (2) In determining, in a case where this paragraph applies, the assessable profit or allowable loss accruing to the participator in the chargeable period in which the qualifying receipt is received, the amount of the excess referred to in sub-paragraph (1)(b) above shall be taken into account under section 2 of the principal Act as an amount which is to be included among the positive amounts referred to in subsection (3)(a) of that section.
- (3) In the application of section 9 of the principal Act (limit on amount of tax payable) to a chargeable period in respect of which sub-paragraph (2) above applies, the amount

of the excess referred to in sub-paragraph (1)(b) above shall be deducted from the amount which would otherwise be the total ascertained under subsection (2)(a)(ii) of that section and, if the amount of that excess is greater than the amount which would otherwise be that total, that total shall be a negative amount equal to the difference.