

## SCHEDULES

### SCHEDULE 1

#### ALLOWABLE EXPENDITURE

#### PART I

##### EXTENSIONS OF ALLOWABLE EXPENDITURE FOR ASSETS GENERATING RECEIPTS

###### *Associated assets*

- 1 (1) This paragraph applies where, after 30th June 1982, a participator in an oil field (in this paragraph referred to as " the principal field ") incurs or incurred expenditure in acquiring, bringing into existence or enhancing the value of an asset—
- (a) which is not a mobile asset and which, apart from this paragraph, does not fall within subsection (1)(a) of section 3 of this Act; and
  - (b) the use of which gives rise, or is expected to give rise, to receipts which, assuming the asset to be a qualifying asset, would be tariff receipts ; and
  - (c) the useful life of which continues, or is expected to continue, after the end of the first chargeable period in which the receipts referred to in paragraph (b) above arise ; and
  - (d) which is, or is expected to be, used in association with another asset which itself is, has been, or is expected to be, used in connection with the principal field ;

and, where this paragraph applies, the asset on which the expenditure is or was incurred is in the following provisions of this paragraph referred to as " the associated asset".

- (2) Subject to section 4(2) of this Act, for the purposes of section 3 of this Act, Part II below and section 3 of the principal Act, the use of the associated asset to give rise to the receipts referred to in sub-paragraph (1)(b) above shall be assumed to be use in connection with the principal field.
- (3) For the purposes of this paragraph, an asset shall not be regarded as used in association with another asset which is, has been or is expected to be used in connection with the principal field unless it is used in a way—
- (a) which constitutes use in connection with another oil field ; or
  - (b) which would constitute such use but for section 10(2) of the principal Act (exempt gas); or
  - (c) which, on the assumptions in sub-paragraph (4) below, would constitute use in connection with an external field ;

and for the purposes of paragraph (c) above, an external field is an area which is not under the jurisdiction of the government of the United Kingdom.

- (4) The assumptions referred to in sub-paragraph (3)(c) above are—

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- (a) that every external field is situated in a designated area and is an oil field within the meaning of Part I of the principal Act; and
- (b) that references in Part I of the principal Act to oil are references to any substance that would be oil if the enactments mentioned in section 1(1) thereof extended to the external field; and
- (c) that references to the United Kingdom in the definitions of " initial storage " and " initial treatment " in section 12(1) of the principal Act include a reference to the country, the government of which has, for purposes corresponding to those of the Petroleum (Production) Act 1934, jurisdiction over the area of the external field.

*Restriction of relief for remote associated assets*

- 2 (1) The provisions of this paragraph apply where some part of the associated asset is situated more than 100 metres from the nearest part of another asset—
- (a) in association with which the associated asset is or is expected to be used ; and
  - (b) which is, has been or is expected to be used in a way which, otherwise than by virtue of paragraph 1 above, constitutes use in connection with the principal field ;

and sub-paragraphs (3) and (4) of paragraph 1 above have effect for the purposes of this sub-paragraph as they have effect for the purposes of that paragraph.

- (2) In sub-paragraph (1) above.—
- (a) " the associated asset" has the meaning assigned to it by sub-paragraph (1) of paragraph 1 above ;
  - (b) " the principal field " has the same meaning as in that paragraph ;
- and where the associated asset falls within sub-paragraph (1) above it is in the following provisions of this paragraph referred to as " the remote asset".

- (3) For the purpose of determining, in accordance with subsection (8) of section 2 of the principal Act, the amount to be debited or credited to a participator for a chargeable period in respect of expenditure, where any expenditure which is or was incurred by the participator in respect of the remote asset—
- (a) is expenditure to which section 3 of this Act or section 3 of the principal Act applies by virtue only of paragraph 1 above, and
  - (b) has been allowed on a claim under Schedule 5 or Schedule 6 to the principal Act before the Board have made an assessment to tax or a determination on or in relation to the participator for a chargeable period earlier than that referred to in sub-paragraph (5) below,

the expenditure shall be treated for the purposes of paragraph (b) or paragraph (c) of subsection (9) of the said section 2 as having been allowed immediately before the Board made an assessment to tax or a determination on or in relation to the participator for the period specified in sub-paragraph (5) below and not at any earlier time.

- (4) In determining under subsection (4) of section 111 of the Finance Act 1981 (restriction of expenditure supplement) whether, if account were to be taken of certain expenditure, a net profit would not have accrued to a participator in a chargeable period, expenditure which—
- (a) is or was incurred by the participator in respect of the remote asset, and

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- (b) is expenditure to which section 3 of this Act or section 3 of the principal Act applies by virtue only of paragraph 1 above,  
shall be disregarded unless the chargeable period in question is, or is later than, the period specified in sub-paragraph (5) below.
- (5) The chargeable period referred to in sub-paragraphs (3) and (4) above is the first in which either—
- (a) by virtue of section 6(1) of this Act, the positive amounts for the purposes of section 2 of the principal Act include (after taking account of any reduction under section 9 of this Act) an amount of tariff receipts derived, in whole or in part, from the remote asset; or
  - (b) by virtue of section 7(1) of this Act, the positive amounts for the purposes of section 2 of the principal Act include an amount of disposal receipts in respect of the disposal of, or of an interest in, that asset.
- (6) For any chargeable period in which expenditure incurred by a participator in respect of the remote asset falls to be brought into account under paragraph (b) or paragraph (c) of subsection (9) of section 2 of the principal Act the amount of that expenditure which is to be so brought into account shall not exceed the aggregate of—
- (a) the amount of the tariff receipts (if any) which are derived, in whole or in part, from the remote asset, and
  - (b) the amount of the disposal receipts (if any) in respect of the disposal of, or of an interest in, the remote asset,
- which (after taking account of any reduction under section 9 of this Act) are included in the positive amounts for that chargeable period for the purposes of that section.
- (7) In any case where—
- (a) for any chargeable period the positive amounts for the purposes of section 2 of this Act include an amount (in this sub-paragraph referred to as "the reduced amount") which represents an amount of qualifying tariff receipts which were received from one user field and which have been reduced by virtue of section 9 of this Act, and
  - (b) those qualifying tariff receipts include tariff receipts which are derived, in whole or in part, from the remote asset as well as other tariff receipts,
- the portion of the reduced amount which is to be regarded for the purpose of the preceding provisions of this paragraph as tariff receipts derived, in whole or in part, from the remote asset shall bear to the whole of the reduced amount the same proportion as, before the reduction, the tariff receipts so derived bore to the whole of the qualifying tariff receipts in question.
- (8) For the purpose of the preceding provisions of this paragraph a tariff receipt is derived, in whole or in part, from the remote asset if it consists of or includes consideration in respect of—
- (a) the use of the remote asset; or
  - (b) the provision of services or other business facilities of what ever kind in connection with the use of that asset;
- and subsection (6) of section 9 of this Act shall have effect for the purposes of sub-paragraph (7) above as it has effect for the purposes of that section.

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*Assets no longer in use for the principal field*

- 3 (1) This paragraph applies where—
- (a) a participator in an oil field (in this paragraph referred to as " the principal field ") incurs expenditure in enhancing the value of an asset which is not a mobile asset; and
  - (b) before the expenditure was incurred the asset had already been used or was expected to be used in connection with the principal field (and, accordingly, is a qualifying asset); and
  - (c) at the end of the claim period in which the expenditure is incurred, the asset is no longer being, and is not expected to be, used in connection with the principal field ; and
  - (d) the expenditure gives rise or is expected to give rise to tariff receipts or is incurred with a view to the subsequent disposal of the asset or of an interest in it.
- (2) For the purposes of section 3 of this Act, Part II below and section 3 of the principal Act.—
- (a) the use of the asset referred to in sub-paragraph (1) above to give rise to tariff receipts shall be assumed to be use in connection with the principal field ; and
  - (b) if the subsequent disposal of, or of an interest in, the asset gives or is expected to give rise to disposal receipts, the asset shall be assumed to be being used in connection with the principal field throughout the claim period in which the expenditure is incurred.
- (3) References in sub-paragraphs (1) and (2) above to use in connection with the principal field include references to use which would constitute use in connection with that field but for section 10(2) of the principal Act (exempt gas).