

Changes to legislation: There are currently no known outstanding effects for the Oil Taxation Act 1983, Cross Heading:
Subsequent use of new asset otherwise than in connection with a taxable field. (See end of Document for details)

SCHEDULES

SCHEDULE 1

ALLOWABLE EXPENDITURE

Modifications etc. (not altering text)

- C1** Sch. 1 modified by 1975 c. 22, Sch. 4 para. 2(1)(b) (as inserted (with effect where the transaction to which 1975 c. 22, Sch. 4 para. 2 applies takes place on or after 16.3.1993) by 1993 c. 34, s. 191(4)(6))

PART II

SPECIAL RULES AS TO EXPENDITURE ALLOWABLE IN RESPECT OF FIXED ASSETS AND DEDICATED MOBILE ASSETS

Subsequent use of new asset otherwise than in connection with ^{F1}a taxable field]

Textual Amendments

- F1** Words in Sch. 1 para. 8 heading substituted (27.7.1993) by 1993 c. 34, s. 190(4)

- 8 (1) Subject to sub-paragraph (3) below,—
- (a) if at any time the new asset ceases to be used by the purchaser in a way which either constitutes use ^{F2}for a qualifying purpose] or would constitute such use but for section 10(2) of the principal Act (exempt gas), and
 - (b) thereafter, the new asset is or is expected to be used otherwise than ^{F3}for a qualifying purpose] and is not disposed of in circumstances giving rise to disposal receipts,
- the amount which, apart from this paragraph, would be the amount of the allowable expenditure shall be taken to be reduced by multiplying it by the fraction specified in sub-paragraph (2) below.
- (2) The fraction referred to in sub-paragraph (1) above is that of which—
- (a) the numerator is a reasonable estimate of the period beginning when the purchaser first used the asset in connection with ^{F4}a taxable field] or, if it was earlier, when the asset first gave rise to tariff receipts of the purchaser and ending when the asset is or is expected to be first used as mentioned in paragraph (b) of sub-paragraph (1) above after the cessation referred to in paragraph (a) of that sub-paragraph; and
 - (b) the denominator is a reasonable estimate of the useful life of the asset or, where sub-paragraph (4) of paragraph 7 above applies, of so much of that useful life as falls after the date on which the asset was first used as mentioned in sub-paragraph (1)(a) of that paragraph.

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- [^{F5}(2A) In sub-paragraph (1) a reference to use for a qualifying purpose is a reference to—
- (a) use in connection with a taxable field, and
 - (b) other use in—
 - (i) the United Kingdom,
 - (ii) the territorial sea of the United Kingdom, or
 - (iii) a designated area,
 except use wholly or partly for an ineligible oil purpose.
- (2B) In this Act a reference to use of an asset for an ineligible oil purpose is a reference to—
- (a) use in connection with an oil field that is not a taxable field, and
 - (b) use for any other purpose (apart from a purpose falling within section 3(1)(b) of the principal Act) of a separate trade consisting of activities falling within [^{F6}the definition of “oil-related activities” in section 274 of the Corporation Tax Act 2010].
- (2C) In sub-paragraphs (2A) and (2B) a reference to use in connection with a taxable field or other oil field includes use giving rise to receipts which, for the purposes of this Act, are tariff receipts.]
- (3) If and so long as an asset gives rise to
- [^{F7}(a)] tariff receipts of the purchaser attributable to [^{F4}a taxable field], [^{F8}or
 - [^{F9}(b)] tax-exempt tariffing receipts which, if they were tariff receipts (and expenditure were or had been allowable accordingly), would be tariff receipts of the purchaser attributable to a taxable field,]
- the asset shall be treated, for the purposes of sub-paragraph (1) above, as if it were used by him in connection with [^{F4}a taxable field],
- (4) If, in any case where the amount of any expenditure falls to be reduced under sub-paragraph (1) above, so much of the expenditure as has been previously allowed on a claim for any claim period exceeds the reduced allowable expenditure, an amount equal to the excess shall be treated (otherwise than for the purposes of paragraph (b) of that sub-paragraph) as disposal receipts of the purchaser arising from the asset in the chargeable period in which the asset ceased to be used as mentioned in paragraph (a) of that sub-paragraph.
- (5) In the case of an asset which has been used in connection with two or more oil fields for which any of the purchaser’s allowable expenditure is or has been allowed or allowable, the chargeable period referred to in sub-paragraph (4) above shall be determined in relation to that one of those fields—
- (a) in connection with which the asset was last used by the purchaser; or
 - (b) if it is later, in respect of which the asset last gave rise to tariff receipts of the purchaser; [^{F10}or
 - (c) if it is later than paragraph (a) and (where otherwise applicable) paragraph (b) above, in respect of which the asset would have last given rise to tariff receipts of the purchaser had tax-exempt tariffing receipts of the purchaser been tariff receipts of his (and if expenditure were or had been allowable accordingly);]
- and the reference in that sub-paragraph to disposal receipts shall accordingly be construed as a reference to disposal receipts attributable to that field.

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- (6) In any case where—
- (a) at a time before the new asset is brought into use by the purchaser in such a way as is mentioned in sub-paragraph (1)(a) above, it ceases to be expected to be used in such a way, and
 - (b) thereafter the new asset is or is expected to be used otherwise than in connection with [^{F4}a taxable field] and is not disposed of in circumstances giving rise to disposal receipts,
- the amount which, apart from this paragraph, would be the amount of the allowable expenditure shall be taken to be reduced to nil.
- (7) In any case where the amount of any expenditure falls to be reduced to nil under sub-paragraph (6) above, an amount equal to so much of the expenditure as has been previously allowed on a claim for any claim period shall be treated (otherwise than for the purposes of paragraph (b) of that sub-paragraph) as disposal receipts of the purchaser arising from the asset in the chargeable period in which the asset ceased to be expected to be used in such a way as is mentioned in sub-paragraph (1)(a) above.

Textual Amendments

- F2** Words in Sch. 1 para. 8(1)(a) substituted (with effect in accordance with Sch. 41 para. 4 of the commencing Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 41 para. 3\(2\)](#)
- F3** Words in Sch. 1 para. 8(1)(b) substituted (with effect in accordance with Sch. 41 para. 4 of the commencing Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 41 para. 3\(2\)](#)
- F4** Words in Sch. 1 para. 8(1)-(3)(6) substituted (27.7.1993) by [1993 c. 34, s. 190\(4\)](#)
- F5** Sch. 1 para. 8(2A)-(2C) inserted (with effect in accordance with Sch. 41 para. 4 of the commencing Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 41 para. 3\(3\)](#)
- F6** Words in Sch. 1 para. 8(2B)(b) substituted (with effect in accordance with s. 1184(1) of the commencing Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 183](#) (with [Sch. 2](#))
- F7** Word in Sch. 1 para. 8(3) inserted (with effect in accordance with s. 285(6)(b) of the commencing Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 37 para. 8\(2\)\(a\)](#) (with [Sch. 37 Pt. 2](#))
- F8** Word in Sch. 1 para. 8(3) inserted (with effect in accordance with s. 285(6)(b) of the commencing Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 37 para. 8\(2\)\(b\)](#) (with [Sch. 37 Pt. 2](#))
- F9** Sch. 1 para. 8(3)(b) inserted (with effect in accordance with s. 285(6)(b) of the commencing Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 37 para. 8\(2\)\(c\)](#) (with [Sch. 37 Pt. 2](#))
- F10** Sch. 1 para. 8(5)(c) and word inserted (with effect in accordance with s. 285(6)(b) of the commencing Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 37 para. 8\(3\)](#) (with [Sch. 37 Pt. 2](#))

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