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**Changes to legislation:** There are currently no known outstanding effects for the Oil Taxation Act 1983, Cross Heading: Acquisition otherwise than at arm's length: limit on tariff and disposal receipts. (See end of Document for details)

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## SCHEDULES

### SCHEDULE 2

#### SUPPLEMENTAL PROVISIONS AS TO RECEIPTS FROM QUALIFYING ASSETS

##### *Acquisition otherwise than at arm's length: limit on tariff and disposal receipts*

- 5 (1) In any case where—
- (a) in a transaction to which paragraph 2 of Schedule 4 to the principal Act applies (restriction on allowable expenditure where asset acquired in a transaction not at arm's length) a participator in [<sup>F1</sup>a taxable field] makes a disposal of a qualifying asset, and
  - (b) the disposal gives rise to what would, apart from this paragraph, be tariff receipts or disposal receipts of the participator for a chargeable period, and
  - (c) those receipts are received from a person who is also a participator in [<sup>F1</sup>a taxable field] (whether the same field or not), [<sup>F2</sup>and
  - <sup>F2</sup>(d) the use of the asset will be wholly by that person in connection with a taxable field in which he is a participator (and accordingly, and in particular, there will be no use giving rise to tariff receipts)]
- [<sup>F3</sup>the receipts referred to in paragraphs (b) and (c) above] shall not be regarded as tariff receipts or disposal receipts if and to the extent that their aggregate in the period beginning with the transaction and ending with the end of that chargeable period exceeds relevant expenditure.
- (2) In this paragraph “relevant expenditure” means expenditure (other than expenditure in respect of interest or any other pecuniary obligation incurred in obtaining a loan or any other form of credit) incurred by the participator referred to in sub-paragraph (1) (a) above or by another person in acquiring, bringing into existence, or enhancing the value of the asset in a transaction to which paragraph 2 of Schedule 4 to the principal Act does not apply (or, if there has been more than one such transaction, the later or latest of them).
- (3) In any case where—
- (a) in a transaction to which paragraph 2 of Schedule 4 to the principal Act applies, a participator in [<sup>F4</sup>a taxable field] makes a disposal of a qualifying asset, and
  - [<sup>F5</sup>(b) the disposal does not fall within sub-paragraph (1) above, and]
  - (c) the disposal either gives rise to tariff receipts or disposal receipts of the participator for a chargeable period or is made for no consideration,
- the disposal shall be treated as giving rise to disposal receipts or tariff receipts (according to the nature of the disposal) equal to the open market consideration for the disposal and any actual receipts falling within paragraph (c) above shall be disregarded.

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- (4) Without prejudice to paragraph 1(2) above, in this paragraph “disposal”, in relation to a qualifying asset, includes the hiring of it or any similar transaction by which the use of the asset gives rise, or might reasonably be expected to give rise, to receipts (whether in the nature of income or capital).
- (5) The reference in sub-paragraph (3) above to the open market consideration for a disposal is a reference to the consideration which might reasonably have been obtained for the disposal in question (whatever its nature) had it been made in a transaction to which paragraph 2 of Schedule 4 to the principal Act does not apply.

#### Textual Amendments

- F1** Words in Sch. 2 para. 5(1)(a)(c) substituted (27.7.1993) by 1993 c. 34, s. 190(5)(a)
- F2** Sch. 2 para. 5(1)(d) and preceding “and” substituted (3.5.1994) by virtue of 1994 c. 9, s. 238(1)(2) (with s. 238(4))
- F3** Words in Sch. 2 para. 5(1) substituted (3.5.1994) by 1994 c. 9, s. 238(2) (with s. 238(4))
- F4** Words in Sch. 2 para. 5(3)(a) substituted (27.7.1993) by 1993 c. 34, s. 190(5)(c)
- F5** Sch. 2 para. 5(3)(b) substituted (3.5.1994) by 1994 c. 9, s. 238(1)(3) (with s. 238(4))

#### Modifications etc. (not altering text)

- C1** Sch. 2 para. 5 excluded (3.5.1994) by 1994 c. 9, s. 233(3)

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