

*Status: Point in time view as at 16/07/1992.*

*Changes to legislation: There are currently no known outstanding effects for the Oil Taxation Act 1983. (See end of Document for details)*

## SCHEDULES

### SCHEDULE 1

Section 3.

#### 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 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—
- 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
  - 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
  - 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
  - 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”.

- 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.
- 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—
  - which constitutes use in connection with another oil field; or
  - which would constitute such use but for section 10(2) of the principal Act (exempt gas); or

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(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—

(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; <sup>F1</sup> . . .

<sup>F1</sup>(c) . . . . .

#### Textual Amendments

**F1** Sch. 1 para. 1(4)(c) and the word “and” immediately preceding it repealed (16.7.1992 with effect in accordance with s. 74(5) of the repealing Act) by Finance (No. 2) Act 1992 (c. 48), ss. 74(5), 82, Sch. 15 para. 6, Sch. 18 Pt.VIII.

#### *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

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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 <sup>M1</sup>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
  - (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—

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- (a) the use of the remote asset; or
  - (b) the provision of services or other business facilities of whatever 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.

#### Marginal Citations

**M1** 1981 c. 35.

#### *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 [<sup>F2</sup>or otherwise in connection with] 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) [<sup>F3</sup>either the use of the asset] gives rise or is expected to give rise to tariff receipts or [<sup>F4</sup>the expenditure] 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).

#### Textual Amendments

- F2** Words inserted by [Finance Act 1988 \(c. 39\), s. 139\(1\)\(a\)](#)
- F3** Words substituted by [Finance Act 1988 \(c. 39\), s. 139\(1\)\(b\)](#)
- F4** Words inserted by [Finance Act 1988 \(c. 39\), s. 139\(1\)\(b\)](#)

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## PART II

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

#### *Interpretation*

4 In this Part of this Schedule—

“allowable expenditure” means expenditure which, subject to the provisions of this Part, is allowable as mentioned in subsection (4) of the principal section;

“the new asset” means the asset referred to in subsection (1) of the principal section which was acquired or brought into existence, or the value of which was enhanced, as a result of the incurring of the allowable expenditure;

“the principal section” means section 3 of this Act;

“the purchaser” means the person referred to in subsection (1) of the principal section as the person incurring the allowable expenditure; and

“the relevant claim period”, in relation to any allowable expenditure, has the same meaning as, by virtue of subsection (5) of the principal section, it has for the purposes of subsection (1) of that section.

#### *Assets acquired etc. for two or more fields*

- 5 (1) Subject to sub-paragraphs (2) and (3) below, where the purchaser is a participator in two or more oil fields (in this paragraph referred to as “the purchaser’s fields”) and, at the end of the relevant claim period, it appears that the new asset is or is expected to be used in connection with two or more of those fields then, unless it seems just and reasonable to attribute all of the allowable expenditure relevant to the new asset to only one of those fields, that expenditure shall be apportioned, in such manner as may be just and reasonable, between those of the purchaser’s fields in connection with which the new asset is or is expected to be used.
- (2) If, in a case falling within sub-paragraph (1) above, the use of the new asset in connection with one of the purchaser’s fields (in this paragraph referred to as “the paying field”) gives, or is at the end of the relevant claim period expected to give, rise to receipts which, by virtue of section 8 of this Act, are to be attributed to another of those fields, as being the chargeable field, so much (if any) of the allowable expenditure as, apart from this sub-paragraph, would be apportioned to the paying field and as is reasonably attributable to the use of the new asset which gives rise to the receipts shall be apportioned to the chargeable field.
- (3) If, in a case falling within sub-paragraph (1) above, it appears, at the end of the relevant claim period, that the new asset also is or is expected to be used otherwise than in connection with a field in which the purchaser is a participator, then—
- in the apportionment made by virtue of sub-paragraph (1) above, such a percentage of the allowable expenditure as is just and reasonable shall be apportioned to that use; and
  - for the purpose of any claim for an allowance in respect of any of the allowable expenditure, the percentage of that expenditure which under paragraph (a) above was apportioned to that use shall be added to the percentage of that expenditure which, under sub-paragraph (1) above, was

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apportioned to that one of the purchaser's fields which, in relation to the new asset, is the chargeable field.

- (4) If, in relation to the allowable expenditure, the relevant claim periods of the purchaser's fields are not the same, references in the preceding provisions of this paragraph to the end of the relevant claim period are references to the end of that relevant claim period which ends earlier or earliest.
- 6 (1) In any case where—
- (a) the new asset is or is expected to be used in connection with two or more oil fields, and
  - (b) no apportionment of the allowable expenditure falls to be made by virtue of paragraph 5 above,
- the allowable expenditure shall be treated as wholly attributable to the use of the asset in connection with that field in which the purchaser is a participator or, if there is more than one such field, that one of them in relation to which a development decision is or was first made.
- (2) Subsection (7) of section 5A of the principal Act (time when development decision is made) shall have effect for the purposes of sub-paragraph (1) above as it has effect for the purposes of subsection (1)(c) of that section.
- [<sup>F5</sup>(3) Subsection (3A) of section 8 of this Act applies for the purposes of sub-paragraph (1) above as it applies for the purposes of subsection (3)(c) of that section.]

**Textual Amendments**

**F5** Sch. 1 para. 6(3) added by Finance Act 1986 (c. 41), s. 110(4)

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

**C2** Sch. 1 para. 6 deemed always to have had effect as amended by Finance Act 1986 (c. 41), s. 110(4)

*Brought-in assets*

- 7 (1) The provisions of this paragraph apply where—
- (a) the allowable expenditure is (in whole or in part) referable to the use of the new asset in connection with an oil field which is not an exempt field; and
  - (b) the allowable expenditure was incurred at a time before the new asset was first used in connection with that oil field, discounting, in the case of a mobile asset, any use in a claim period when it was not dedicated to that oil field; and
  - (c) during the period (in this paragraph referred to as “the initial period”) between the time when the new asset was acquired or brought into existence and that first use, the new asset was used otherwise than in connection with an oil field, by the purchaser or a person connected with him.
- (2) In any case where—
- (a) at some time during the initial period the new asset was used in a way which, disregarding section 10(2) of the principal Act (exempt gas), would be use in connection with an exempt field, and
  - (b) at the beginning of the initial period it was not reasonable to expect that the asset would be used in connection with an oil field,

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the amount which, apart from this sub-paragraph, would be the amount of the allowable expenditure in respect of the expected use referred to in sub-paragraph (1) (a) above, shall be reduced to nil.

- (3) In determining whether the condition in sub-paragraph (2)(b) above is fulfilled, no account shall be taken of use which, by virtue only of subsection (3) or subsection (5) of section 4 of this Act, is treated as use in connection with an exempt field.
- (4) In a case where sub-paragraph (2) above does not apply, the amount which, apart from this sub-paragraph, would be the amount of the allowable expenditure shall be reduced by multiplying it by the fraction of which—
  - (a) the numerator is a reasonable estimate of so much of the useful life of the asset as remains after the date on which it was first used as mentioned in sub-paragraph (1)(b) above; and
  - (b) the denominator is the aggregate of that reasonable estimate and the initial period.
- (5) In this paragraph an “exempt field” means an oil field from which all the oil won is excluded oil, as defined in section 10(1) of the principal Act.

*Subsequent use of new asset otherwise than in connection with an oil field*

- 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 in connection with an oilfield 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 in connection with an oil 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 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 an oil 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.
- (3) If and so long as an asset gives rise to tariff receipts of the purchaser attributable to an oil field, the asset shall be treated, for the purposes of sub-paragraph (1) above, as if it were used by him in connection with an oil 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

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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;

and the reference in that sub-paragraph to disposal receipts shall accordingly be construed as a reference to disposal receipts attributable to that field.

- (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 an oil 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.

*Mobile assets becoming dedicated assets*

- 9 (1) Subject to sub-paragraph (2) below, where any expenditure in connection with a mobile asset has been allowed or is allowable under section 4 of the principal Act and the asset becomes dedicated to an oil field, the expenditure which would otherwise be allowable under the principal section shall be reduced by so much of that expenditure as has been allowed or is allowable under the said section 4.
- (2) Sub-paragraph (1) above does not apply in any case where—
- (a) paragraph 7 above applies; and
  - (b) sub-paragraph (4) of that paragraph applies to reduce the amount of expenditure which is allowable expenditure.



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## SCHEDULE 2

Sections 6 to 8.

### SUPPLEMENTAL PROVISIONS AS TO RECEIPTS FROM QUALIFYING ASSETS

#### *Interpretation*

- 1 (1) Any reference in this Schedule to the use of an asset includes a reference to the provision, in connection with that use, of services or other business facilities of whatever kind.
- (2) Any reference in this Schedule to the disposal of an asset includes a reference to the disposal of an interest in it.

#### *Consideration received by connected persons under avoidance schemes*

- 2 (1) This paragraph applies if consideration in respect of the use or disposal of an asset which, in relation to a participator or two or more participators in an oil field, is a qualifying asset is received or receivable—
- (a) by a person in relation to whom the asset is not a qualifying asset but who is connected with the participator or, as the case may be, with each of them; and
  - (b) under or in consequence of a scheme or arrangements the main purpose or one of the main purposes of which is the avoidance of petroleum revenue tax or corporation tax.
- (2) In relation to the participator or, as the case may be, each of the participators referred to in sub-paragraph (1) above, any reference in section 6 or section 7 of this Act or in the following provisions of this Schedule to consideration received or receivable by him in respect of the use or disposal of the asset referred to in that sub-paragraph includes, subject to sub-paragraph (3) below, a reference to the consideration referred to in sub-paragraph (1) above or, if there is more than one participator, such portion of that consideration as it is just and reasonable to apportion to the participator in question.
- (3) In any case where—
- (a) the tariff receipts or disposal receipts of a participator in respect of the use or disposal of a qualifying asset include consideration which is received or receivable from a person who is connected with the participator, and
  - (b) consideration is received or receivable from a person who is not connected with the participator by a person who is so connected (whether the person referred to in paragraph (a) above or not), and
  - (c) apart from this sub-paragraph, the consideration referred to in paragraph (b) above or (where there is more than one connected participator) a portion of that consideration would, by virtue of sub-paragraph (2) above, be included in the tariff receipts or disposal receipts of the participator which are referable to the use or disposal of the qualifying asset concerned,
- only so much of the consideration or, as the case may be, of the portion of it referred to in paragraph (b) above as exceeds the consideration referred to in paragraph (a) above shall be included (by virtue of sub-paragraph (2) above) in the tariff receipts or, as the case may be, the disposal receipts of the participator.

#### *Apportionment of consideration in respect of use or disposal*

- 3 In any case where—

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- (a) consideration received or receivable by a participator in an oil field in respect of the use or disposal of a qualifying asset includes an element that is unquantified but which does not constitute a tariff receipt or disposal receipt of his, and
- (b) the consideration does not fall to be apportioned by virtue of section 6(4) or section 7(5) of this Act,

the portion of the consideration which constitutes a tariff receipt or disposal receipt of the participator shall be determined in such a manner as is just and reasonable.

*Cases where all the oil is disregarded under section 10 of the principal Act*

- 4 (1) This paragraph applies in any case where, in computing under section 2 of the principal Act the gross profit or loss accruing to a participator in any chargeable period from the chargeable field, all the oil which, apart from section 10 of that Act (exempt gas), would be taken into account falls to be disregarded under subsection (1) of that section.
- (2) In any case where this paragraph applies, subsection (1) of section 8 of this Act shall have effect in relation to the participator as if—
- (a) in paragraph (a) the word “either” and the words “or is a mobile asset dedicated to that oil field” were omitted; and
  - (b) in paragraph (b) for the words “is allowable, or has” there were substituted the words “would, apart from section 10(2) of the principal Act, be allowed or have”;
- and, in relation to the participator, tariff receipts and disposal receipts shall be construed accordingly.
- [<sup>F6</sup>(2A) In any case where this paragraph applies, paragraph (b) of subsection (1A) of section 8 of this Act shall have effect in relation to the participator as if—
- (a) for the words “does not” there were substituted “would not”; and
  - (b) at the end there were added the words “even if section 10(2) of the principal Act were disregarded”]

(3) Subsections (6) to (8) of section 7 of this Act shall not apply where the asset is a qualifying asset by reason only of sub-paragraph (2) above.

#### **Textual Amendments**

**F6** Sch. 2 para. 4(2A) inserted by Finance Act 1985 (c. 54), s. 92(4)

*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 an oil 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

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- (c) those receipts are received from a person who is also a participator in an oil field (whether the same field or not),  
those receipts 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 an oil field makes a disposal of a qualifying asset, and
  - (b) the disposal is to a person who is not a participator in an oil field, 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.
- (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.

#### *Transfer of interests in fields*

- 6 In paragraph 19 of Schedule 17 to the <sup>M2</sup>Finance Act 1980 (transfers of interests in oil fields: disposal of long-term assets) at the beginning there shall be inserted the word “Neither” and for the words “shall not” there shall be substituted “nor section 7 of the Oil Taxation Act 1983 shall”.

#### **Marginal Citations**

**M2** 1980 c. 48.

#### *Insurance and compensation payments*

- 7 Any payment by way of insurance or compensation in respect of the loss or destruction of an asset which, in relation to a participator in an oil field, is a qualifying asset, shall be brought into account for the purposes of section 7 of this

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Act and this Schedule as consideration in respect of a disposal of the asset taking place at the time the payment is received or receivable.

*Dedicated mobile assets ceasing to be used in connection with participator's oil field*

- 8 (1) This paragraph applies in any case where—
- (a) a mobile asset which, in relation to a participator in an oil field, is a qualifying asset gives rise to receipts which, apart from the provisions of this paragraph, would be tariff receipts of the participator; and
  - (b) the asset has ceased to be used in connection with any oil field whatsoever in which the participator or a person connected with him is a participator.
- (2) In any case where this paragraph applies, so much of what would, apart from this paragraph, be tariff receipts of the participator arising from the asset and which are neither—
- (a) received or receivable before the end of the chargeable period in which falls the second anniversary of the date on which the asset ceased to be used as mentioned in sub-paragraph (1)(b) above, nor
  - (b) received or receivable after the end of that chargeable period in respect of the use of the asset before the end of that period,
- shall not form part of the tariff receipts of the participator for any chargeable period in which the asset is not used as mentioned in sub-paragraph (1)(b) above.

*Disposal receipts in respect of brought-in assets*

- 9 If paragraph 7(4) of Schedule 1 to this Act applies to reduce the allowable expenditure, within the meaning of Part II of that Schedule, in respect of an asset and any disposal receipt is received or receivable in respect of the asset, the amount which, apart from this paragraph, would be the amount of that receipt shall be taken to be reduced by multiplying it by the same fraction as, by virtue of the said paragraph 7(4), was applied to that allowable expenditure.

*Disposal receipts: assets used for deballasting*

- 10 In any case where—
- (a) section 4(2) of this Act applies to reduce the expenditure allowable as mentioned in section 3(4) of this Act in respect of an asset, and
  - (b) any disposal receipt is received or receivable in respect of the asset,
- the amount which, apart from this paragraph, would be the amount of that receipt shall be taken to be reduced in the proportion in which the expenditure so allowable was reduced by virtue of section 4(2) of this Act.

*Use by connected or associated person: avoidance devices*

- 11 (1) This paragraph applies in any case where—
- (a) any consideration in respect of the use of an asset is received or receivable by a person (in this paragraph referred to as “the recipient”) in relation to whom the asset is not a qualifying asset; and
  - (b) the asset is at any time used in connection with an oil field by a person (in this paragraph referred to as “the user”) who is connected or associated with the recipient and who is a participator in that or any other oil field; and

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- (c) the consideration is so received or receivable under or in consequence of a scheme or arrangements the main purpose or one of the main purposes of which is the avoidance of petroleum revenue tax or corporation tax.
- (2) Subject to sub-paragraphs (5) and (6) below, the user shall be treated for the purposes of this Act and Part I [<sup>F7</sup> of the principal Act and section 500 of the Taxes Act] as if—
- (a) any consideration arising from the use of the asset and received or receivable at any time by the recipient or a person connected or associated with him, other than consideration received or receivable from the user himself, had been received or receivable at that time by the user; and
- (b) such proportion of any expenditure incurred by the recipient at any time in connection with the asset as it is just and reasonable to apportion to the use which gives rise to the consideration had been incurred at that time by the user for the purpose for which it was in fact incurred by the recipient.
- (3) For the purposes of this paragraph, a participator in an oil field is associated with another person if the participator, by acting together with a person who is, or two or more persons each of whom is, a participator in that oil field or in any other relevant field, would be able to secure or exercise control of that other person, and for this purpose—
- (a) “control” shall be construed in accordance with section [<sup>F8</sup>416] of the Taxes Act; and
- (b) “relevant field” means an oil field in connection with which the asset referred to in sub-paragraph (1)(a) above has been, is, or is expected to be, used.
- (4) For the purposes of sub-paragraph (3) above—
- (a) a foreign field, within the meaning of section 12 of this Act, shall be treated as an oil field, and
- (b) an asset is used in connection with a relevant field which is a foreign field if it is used in a way which, on the assumptions set out in subsection (5) of that section, would be use in connection with the foreign field,
- and, in relation to a relevant field which is a foreign field, the reference in sub-paragraph (3) above to a participator shall be construed in accordance with section 12(2)(b) of this Act.
- (5) If, in relation to the recipient, there is more than one person who is the user, any consideration or expenditure falling within paragraph (a) or paragraph (b) of sub-paragraph (2) above shall be apportioned between those persons in such manner as is just and reasonable.
- (6) Sub-paragraph (2)(b) above does not apply if the asset is a mobile asset which is not dedicated to an oil field.

#### Textual Amendments

- F7** Words substituted by [Income and Corporation Taxes Act 1988 \(c. 1\)](#), [Sch. 29 para. 32](#)
- F8** Figure substituted by [Income and Corporation Taxes Act 1988 \(c. 1\)](#), [Sch. 29, para. 32](#)

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*Purchase at place of extraction*

- 12 (1) Subject to sub-paragraphs (4) and (5) below, in any case where—
- (a) a participator in an oil field or any person connected with him purchases any oil, otherwise than in pursuance of such an agreement as is mentioned in paragraph 6A of Schedule 3 to the principal Act (transactions between participators), and takes delivery of that oil at the place of extraction, and
  - (b) any of that oil is transported, initially treated or initially stored (or subjected to any two or more of those operations) by means of any asset which is a qualifying asset in relation to that field, and
  - (c) when the oil is disposed of or relevantly appropriated by the participator or the person connected with him, the selling price of the oil exceeds the price paid for it on the purchase referred to in paragraph (a) above,
- the participator shall be treated for the purposes of this Act and Part I [<sup>F9</sup>of the principal Act and section 500 of the Taxes Act] as having received an amount equal to that excess as tariff receipts which arise in the chargeable period in which the selling price falls to be determined and are attributable to the use of the asset for carrying out the operation or operations referred to in paragraph (b) above.
- (2) In this paragraph “selling price”, in relation to any oil, means the aggregate of the amounts determined in relation to that oil in accordance with paragraphs (a) to (c) of subsection (5) of section 2 of the principal Act; and for the purpose of the application of those paragraphs and of determining whether any oil falling within sub-paragraph (1) above is relevantly appropriated,—
- (a) a person who is connected with the participator and who purchased oil as mentioned in sub-paragraph (1)(a) above shall be deemed to be a participator; and
  - (b) oil falling within sub-paragraph (1) above shall be treated for the purposes of section 2(5) of the principal Act and the definition of “relevantly appropriated” in section 12 of that Act as if it were oil won from the field referred to in paragraph (a) of that sub-paragraph.
- (3) A person who takes delivery of oil [<sup>F10</sup>before it has been transported—
- (a) to the place at which it is first landed in the United Kingdom; or
  - (b) to the place referred to in section 3(1)(f)(ii) of the principal Act]
- shall be treated for the purposes of sub-paragraph (1)(a) above as having taken delivery of the oil at the place of extraction.
- (4) Sub-paragraph (1) above does not apply to oil if, at a time before the participator’s selling price for that oil falls to be determined as mentioned in sub-paragraph (2) above, the oil is either—
- (a) stored in the field referred to in paragraphs (a) and (b) of sub-paragraph (1) above; or
  - (b) used for the purpose of assisting the extraction of oil from that field.
- (5) Sub-paragraph (1) above does not apply to oil if, by virtue of section 2(5)(b) of the principal Act (oil disposed of crude, otherwise than in sales at arm’s length), the market value of the oil is taken into account in calculating the gross profit and loss (if any) accruing to a participator from an oil field in any chargeable period.

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### Textual Amendments

- F9** Words substituted by [Income and Corporation Taxes Act 1988 \(c. 1\)](#), [Sch. 29 para. 32](#)
- F10** [Sch. 2 para. 12\(3\)\(a\)\(b\)](#) substituted (16.7.1992 with effect in accordance with s. 74(5) of the substituting Act) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), s. 74(5), [Sch. 15 para. 7](#).

## SCHEDULE 3

Section 9.

### TARIFF RECEIPTS ALLOWANCE

#### *The participator's share*

- 1 (1) In this Schedule—
- “the principal section” means section 9 of this Act;
- “receipts from existing contracts” means qualifying tariff receipts under a contract or contracts made as mentioned in subsection (3) of the principal section;
- and other expressions have the same meaning as in the principal section.
- (2) In relation to a user field, any reference in the following provisions of this Schedule to the oil to which any qualifying tariff receipts which are received or receivable in a chargeable period relate is a reference to the oil won from that user field which, in that chargeable period, is extracted, transported, initially treated or initially stored (or subject to two or more of those operations) by means of the asset to which the qualifying tariff receipts are referable.
- 2 (1) Subject to paragraphs 3 and 6 below, where an amount of qualifying tariff receipts received or receivable by a participator in a chargeable period from a user field falls to be treated, for the purpose mentioned in subsection (1) of the principal section, as reduced in accordance with paragraph (a) or paragraph (b) of that subsection, the cash equivalent of his share of the tariff receipts allowance in respect of that user field for that period is the amount given, subject to sub-paragraph (2) below, by the formula:—
- $$£(AyB/C)$$
- where—
- “A” is the amount of those qualifying tariff receipts;
- “B” is the tariff receipts allowance in respect of that user field, expressed in metric tonnes; and
- “C” is the amount, in metric tonnes, of the oil to which those qualifying tariff receipts relate.
- (2) If, apart from this sub-paragraph, the fraction B/C in the formula in sub-paragraph (1) above would exceed unity, it shall be treated as unity for the purposes of this Schedule.
- 3 (1) This paragraph applies where, for a chargeable period ending on or before 30th June 1987, of the qualifying tariff receipts which—
- are received or receivable from a user field, and
  - fall to be treated as reduced as mentioned in paragraph 2(1) above,

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some are receipts from existing contracts and some are not.

- (2) If the oil to which any of the receipts from existing contracts relate is the same as the oil to which any of the other qualifying tariff receipts relate, then, for each participator who has any of those receipts from existing contracts,

- (a) paragraph 2 above shall be applied separately in relation to those receipts from existing contracts and his other qualifying tariff receipts which relate to that oil, and
- (b) in the application of that paragraph to his receipts from existing contracts “B” shall be 375,000 metric tonnes,

and, so far as relates to that oil, for the purposes of the principal section the total of the amounts determined on those separate applications of paragraph 2 above shall, for the participator in question, be the cash equivalent of his share of the tariff receipts allowance in respect of the user field for the chargeable period in question.

- (3) If, in a case where this paragraph applies, any of the receipts from existing contracts relate to oil to which the other qualifying tariff receipts do not relate, then, for each participator who has any of those receipts from existing contracts, paragraph 2 above, with the omission of sub-paragraph (2), shall in the first instance be applied separately in relation to those receipts from existing contracts and his other qualifying tariff receipts which relate to oil to which receipts from existing contracts do not relate, so that,—

- (a) where  $A_{1;}$  is the total of those receipts from existing contracts,  $B_{1;}$  will be 375,000 metric tonnes and  $C_{1;}$  will be limited to the oil to which those receipts relate; and
- (b) where  $A_{2;}$  is the total of his qualifying tariff receipts relating to oil to which receipts from existing contracts do not relate,  $B_{2;}$  will be 250,000 metric tonnes and  $C_{2;}$  will be limited to the oil to which these qualifying tariff receipts relate.

- (4) Where paragraph 2 above has been applied separately in accordance with sub-paragraph (3) above,—

- (a) the sum produced by the formula  $\frac{A_{1;}B_{1;}}{C_{1;}+C_{2;}}$  shall be reduced by multiplying it by the fraction  $\frac{C_{1;}}{C_{1;}+C_{2;}}$ , and
- (b) the sum produced by the formula  $\frac{A_{2;}B_{2;}}{C_{2;}}$  shall be reduced by multiplying it by the fraction  $\frac{C_{2;}}{C_{1;}+C_{2;}}$ ;

and, subject to sub-paragraph (5) below, so far as relates to the oil referred to in paragraphs (a) and (b) of sub-paragraph (3) above, for the purposes of the principal section the total of those two reduced sums shall, for the participator in question, be the cash equivalent of his share of the tariff receipts allowance in respect of the user field for the chargeable period concerned.

- (5) If, so far as relates to the oil referred to in paragraphs (a) and (b) of sub-paragraph (3) above,—

- (a) the amount which, in accordance with sub-paragraph (4) above, would be the cash equivalent of a participator’s share of the tariff receipts allowance in respect of a user field for a chargeable period

exceeds

- (b) the total of the participator’s qualifying tariff receipts which relate to that oil and which fall to be treated as reduced as mentioned in paragraph 2(1) above, that cash equivalent shall be an amount equal to the total of those qualifying tariff receipts.



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*Qualifying tariff receipts referable to different periods*

- 4 (1) This paragraph applies if any qualifying tariff receipts which are received or receivable by a participator for a chargeable period from a user field are referable to the use of a qualifying asset for a period (in this paragraph and paragraph 5 below referred to as “the period of use”) which is not wholly comprised in that chargeable period.
- (2) If, apart from this sub-paragraph, the period of use would exceed ten years, it shall be treated for the purposes of the following provisions of this paragraph as ending immediately before the tenth anniversary of the first day of the period.
- (3) In a case where this paragraph applies, the qualifying tariff receipts referred to in sub-paragraph (1) above shall be treated for the purpose mentioned in subsection (1) of the principal section as reduced in accordance with paragraph 5 below and not in accordance with paragraph (a) or paragraph (b) of that subsection.
- (4) For the purpose of determining the amount of the reduction under paragraph 5 below,
- 
- (a) the qualifying tariff receipts shall be regarded as wholly received in the period of use; and
- (b) if the period of use is not wholly comprised in a chargeable period, a portion of those receipts shall be regarded as received in each chargeable period which, in whole or in part, is comprised in the period of use;
- and any chargeable period which, in whole or in part, is comprised in the period of use is in the following provisions of this paragraph and paragraph 5 below referred to as a “relevant chargeable period”.
- (5) For the relevant chargeable period or, as the case may be, for each of them, there shall be determined the amount of oil won from the user field in question which is expected to be qualifying oil for that period; and in this paragraph and paragraph 5 below “qualifying oil”, in relation to a chargeable period, means oil which in that period is extracted, transported, initially treated or initially stored by means of any asset or assets giving rise to the qualifying tariff receipts referred to in sub-paragraph (1) above.
- (6) In a case falling within paragraph (b) of sub-paragraph (4) above, the portion of the qualifying tariff receipts which is to be regarded as received in each of the relevant chargeable periods shall bear to each of those receipts the same proportion as the amount of the qualifying oil for that period bears to the total of the qualifying oil for all the relevant chargeable periods.
- (7) In any case where, apart from this sub-paragraph, it is not practicable to determine for the purpose of sub-paragraph (5) above how much of the oil won from a user field is for any period expected to be qualifying oil, such a determination shall be made on the assumption that any asset which gives rise to qualifying tariff receipts falling within that sub-paragraph will at all times be used to the full extent which, by reference to the receipts, is available for the extraction, transport, initial treatment or initial storage of oil won from the user field in question.
- 5 (1) For the purpose of calculating the reduction referred to in paragraph 4(3) above, there shall be determined, in accordance with paragraphs 2 and 3 above and sub-paragraphs (2) and (3) below, the amount which would be the cash equivalent of the participator’s share of the tariff receipts allowance in respect of the user field in

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question for the relevant chargeable period or, if there is more than one such period, for each of them.

- (2) For a relevant chargeable period, the determination referred to in sub-paragraph (1) above shall be made on the basis—
    - (a) that “A” in the formula in paragraph 2 above is the amount of the qualifying tariff receipts determined for the period under sub-paragraph (6) of paragraph 4 above or, if that sub-paragraph does not apply, the whole of the qualifying tariff receipts referred to in sub-paragraph (1) of that paragraph; and
    - (b) that “C” in the formula in paragraph 2 above is the amount of the qualifying oil for that period.
  - (3) If, on the determination under sub-paragraph (1) above, the cash equivalent of the participator’s share of the tariff receipts allowance in respect of the user field in question would, apart from this sub-paragraph, exceed the qualifying tariff receipts for that period (as calculated under sub-paragraph (2) above) then, for the purposes of this paragraph, the amount of that cash equivalent shall be taken to be reduced to an amount equal to those qualifying tariff receipts.
  - (4) The amount of the reduction referred to in paragraph 4(3) above shall be an amount equal to the cash equivalent of the participator’s share of the tariff receipts allowance in respect of the user field in question for the relevant chargeable period, as determined under this paragraph, or, if there is more than one relevant chargeable period, the aggregate of the cash equivalents as so determined for each of the relevant chargeable periods.
- 6 (1) In any case where—
- (a) there are normal qualifying tariff receipts from a user field for a chargeable period which, for the purpose of determining the amount of a reduction under paragraph 5 above in an amount of straddling qualifying tariff receipts from that field, was a relevant chargeable period as defined in paragraph 4(4) above, and
  - (b) those normal qualifying tariff receipts relate to oil to which the straddling qualifying tariff receipts do not relate,
- the amount which, apart from this paragraph, would be the cash equivalent of the participator’s share of the tariff receipts allowance in respect of that user field for that chargeable period shall be varied in accordance with the following provisions of this paragraph.
- (2) In the first instance, the cash equivalent of the participator’s share of the tariff receipts allowance for the chargeable period in question shall be determined, in accordance with paragraphs 2 and 3 above, on the basis that—
    - (a) there is to be added to the normal qualifying tariff receipts for that period that portion of the straddling qualifying tariff receipts which, in accordance with sub-paragraph (6) of paragraph 4 above, is to be regarded as received in that period or, if that sub-paragraph does not apply, the whole of those receipts; and
    - (b) there is to be added to the oil referred to in sub-paragraph (1)(b) above the oil which, by reference to the straddling qualifying tariff receipts, is qualifying oil for that chargeable period for the purposes of paragraphs 4 and 5 above.
  - (3) The cash equivalent of the participator’s share referred to in sub-paragraph (1) above shall be the amount produced by deducting from the cash equivalent of that share, as

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determined under sub-paragraph (2) above, the amount of the cash equivalent of his share for the period in question as determined under paragraph 5 above.

- (4) For the purposes of this paragraph, qualifying tariff receipts are “normal” if they fall to be treated as reduced in accordance with paragraph (a) or paragraph (b) of subsection (1) of the principal section and “straddling” if they fall to be treated as reduced in accordance with paragraph 5 above.

## SCHEDULE 4

Section 12.

### RECEIPTS ATTRIBUTABLE TO UNITED KINGDOM USE OF FOREIGN FIELD ASSETS

#### *Interpretation*

- 1 In this Schedule—
- (a) “the principal section” means section 12 of this Act;
  - (b) “the relevant assumptions” means—
    - (i) those specified in subsection (5) of the principal section; and
    - (ii) the assumption that a participator in a foreign field is a participator within the meaning of Part I of the principal Act;
  - (c) “United Kingdom field” means an oil field within the meaning of Part I of the principal Act.

#### *Chargeable receipts*

- 2 A participator in a foreign field is chargeable to tax in accordance with this Schedule in respect of considerations falling within subsection (1) of the principal section if, and only if—
- (a) the field asset which gives rise to that consideration is, in accordance with paragraph 3 below, a chargeable asset in relation to him; and
  - (b) the consideration constitutes, in accordance with paragraph 4 below, a receipt for which he is accountable;
- and, where the conditions in paragraphs (a) and (b) above are fulfilled, the consideration is in this Schedule referred to as a chargeable receipt of the participator.
- 3 (1) Subject to sub-paragraph (2) below, a field asset is a chargeable asset in relation to a participator in a foreign field if, on the relevant assumptions, expenditure incurred by the participator in respect of the asset would be or would have been allowable for that foreign field—
- (a) under section 3 of this Act or section 4 of the principal Act, or
  - (b) in the case of an asset the useful life of which was, at the time the expenditure was incurred, expected to exceed six months, under section 3 of the principal Act.
- (2) An asset which is a field asset by virtue of subsection (6) of the principal section is a chargeable asset in relation to that participator in that foreign field in relation to whom and to which the asset referred to in paragraph (c) of that subsection is a chargeable asset.

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- 4 (1) Consideration falling within subsection (1) of the principal section constitutes a receipt for which a participator in a foreign field is accountable if, and only if,—
- (a) on the relevant assumptions, and
  - (b) on the further assumption that the field asset which gives rise to the consideration is a qualifying asset,
- the consideration would constitute, for the purposes of this Act, a tariff receipt or disposal receipt of the participator attributable to the foreign field.
- (2) In applying section 7 of this Act to determine whether any consideration falling within subsection (1)(c) of the principal section would, on the assumptions in sub-paragraph (1) above, constitute a disposal receipt, the reference in section 7(4)(b) of this Act to tariff receipts of the participator shall be construed as a reference to consideration falling within paragraph (a) or paragraph (b) of subsection (1) of the principal section which, on those assumptions, would constitute a tariff receipt of his.
- 5 (1) Schedule 2 to this Act, except paragraphs 4 and 6 to 8, applies in relation to chargeable receipts on the relevant assumptions and also on the further assumptions—
- (a) that any reference in that Schedule to tariff receipts or disposal receipts includes a reference to chargeable receipts;
  - (b) that, except in paragraphs 5 and 11(3), any reference in that Schedule to an oil field or a participator applies only to a foreign field or, as the case may be, a participator in a foreign field; and
  - (c) that any reference in that Schedule to a qualifying asset is a reference to a field asset which, in accordance with paragraph 3 above, is a chargeable asset.
- (2) In Schedule 2 to this Act, as applied by sub-paragraph (1) above, any reference to any of the provisions specified in sub-paragraph (2) of paragraph 8 below shall be construed as a reference to that provision as it has effect by virtue of that sub-paragraph.
- (3) In its application by virtue of sub-paragraph (1) above, paragraph 2 of Schedule 2 to this Act shall have effect as if the reference in sub-paragraph (2) of that paragraph to section 6 or section 7 of this Act included a reference to the principal section.
- (4) Notwithstanding anything in paragraph (a) of sub-paragraph (1) above, paragraph 9 of Schedule 2 to this Act, in its application by virtue of that sub-paragraph, shall have effect as if the reference in that paragraph to any disposal receipt were a reference to any chargeable receipt falling within paragraph (c) of subsection (1) of the principal section.
- (5) In its application by virtue of sub-paragraph (1) above, paragraph 10 of Schedule 2 to this Act shall have effect as if,—
- (a) notwithstanding anything in paragraph (a) of that sub-paragraph, the reference in that paragraph to any disposal receipt were a reference to any chargeable receipt falling within paragraph (c) of subsection (1) of the principal section; and
  - (b) in the application of paragraph 4 above for the purposes of paragraph 10 below, section 6(4)(b) of this Act were disregarded.
- (6) In its application by virtue of sub-paragraph (1) above, paragraph 11 of Schedule 2 to this Act shall have effect as if sub-paragraph (4) of that paragraph were omitted.

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- 6 (1) Subject to sub-paragraph (2) below, the chargeable receipts of a participator in a foreign field are attributable to that field for which expenditure incurred by him in respect of the field asset concerned would be or would have been allowable as mentioned in paragraph 3(1) above; and if there is more than one such foreign field, then the receipts are attributable to that one of those fields in connection with which, on the relevant assumptions, the field asset would have been first used.
- (2) The foreign field to which are attributable chargeable receipts referable to an asset which is a field asset by virtue of subsection (6) of the principal section is that field to which are attributable chargeable receipts referable to the field asset referred to in paragraph (c) of that subsection.

*The charge to tax*

- 7 (1) In relation to a foreign field, every half year beginning on or after 1st July 1982 shall be taken to be a chargeable period.
- (2) In this paragraph “half year” has the same meaning as in section 1 of the principal Act.
- (3) Any reference in this Schedule to the chargeable period to which any chargeable receipts of a participator in a foreign field are attributable is,—
- (a) in the case of chargeable receipts falling within paragraph (c) of subsection (1) of the principal section, a reference to the chargeable period in which the disposal referred to in that paragraph occurs; and
  - (b) in any other case, a reference to the chargeable period in which the receipts are received or receivable by him.
- 8 (1) For each chargeable period of a foreign field beginning with that in which a participator in that field has chargeable receipts, there shall be determined, subject to the following provisions of this Schedule but otherwise in accordance with section 2 of the principal Act, what is the assessable profit or allowable loss accruing to the participator from the foreign field on the basis that—
- (a) the positive amounts for the purposes of section 2 of the principal Act consist of any chargeable receipts of his attributable to that field for that period; and
  - (b) the negative amounts for those purposes are any amounts referred to in paragraphs (b), (c) and (f) of subsection (9) of that section.
- (2) For the purpose of the determination referred to in sub-paragraph (1) above, the provisions of Part I of the principal Act and sections 3 and 4 of and Part II of Schedule 1 to this Act shall have effect—
- (a) on the relevant assumptions; and
  - (b) on the further assumption that any reference in those provisions to an oil field or a participator applies only to a foreign field or, as the case may be, a participator in a foreign field.
- (3) Without prejudice to sub-paragraph (2) above, in computing the assessable profit or allowable loss accruing to a participator in a foreign field, section 9 of and Schedule 3 to this Act shall apply—
- (a) on the relevant assumptions; and
  - (b) on the further assumption that any chargeable receipts of his, other than those falling within subsection (1)(c) of the principal section, are tariff receipts,

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- (4) In any case where, apart from this sub-paragraph, the whole or any part of any consideration which constitutes a chargeable receipt of a participator in a foreign field would also fall to be treated, by virtue of paragraph 2 or paragraph 11 of Schedule 2 to this Act, as a tariff or disposal receipt of a participator in a United Kingdom field, it shall not be so treated.
- (5) In any case, where, apart from this sub-paragraph, the whole or any part of any consideration which constitutes a tariff or disposal receipt of a participator in a United Kingdom field would also fall to be treated, by virtue of paragraph 2 or paragraph 11 of Schedule 2 to this Act, as applied by paragraph 5(1) above, as a chargeable receipt of a participator in a foreign field, it shall not be so treated.
- 9 (1) Subject to sub-paragraph (2) below,—
- (a) the principal Act, and
  - (b) the provisions of the <sup>M3</sup>Taxes Management Act 1970 which are applied by paragraph 1 of Schedule 2 to the principal Act,
- shall have effect in relation to any assessable profit or allowable loss of a participator in a foreign field determined for a chargeable period under paragraph 8(1) above as if it were such an assessable profit or allowable loss as is referred to in section 1(2) of the principal Act.
- (2) No reduction shall be made by virtue of section 8 of the principal Act (oil allowance) in the assessable profit accruing to a participator in a foreign field for any chargeable period.

**Marginal Citations**

**M3** 1970 c. 9.

*Expenditure relief*

- 10 (1) For the purpose of the determination referred to in sub-paragraph (1) of paragraph 8 above, no expenditure shall be allowable, by virtue of paragraph (b) of that sub-paragraph, under section 3 of the principal Act or section 3 of this Act unless—
- (a) the expenditure relates to a field asset which is a chargeable asset which gives rise, or is expected to give rise, to chargeable receipts; and
  - (b) the expenditure is incurred either for the purpose of enabling the asset to be used in a way which gives rise, or is expected to give rise, to chargeable receipts falling within paragraph (a) or paragraph (b) of subsection (1) of the principal section, or for the purpose of enhancing the value of the asset with a view to the subsequent disposal of it or of an interest in it.
- (2) Where expenditure falling within paragraph (a) of sub-paragraph (1) above is incurred partly for one or both of the purposes referred to in paragraph (b) of that sub-paragraph and partly for other purposes, only so much of that expenditure as it is just and reasonable to apportion to a purpose referred to in that paragraph shall be regarded as falling within those paragraphs.
- (3) References in the preceding provisions of this paragraph to the use of an asset in a way which gives rise, or is expected to give rise, to chargeable receipts include references to the provision, in connection with the use of that asset, of services or

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other business facilities of any kind which give rise, or are expected to give rise, to chargeable receipts.

- (4) To the extent only that expenditure falls within paragraphs (a) and (b) of sub-paragraph (1) above, the field asset to which the expenditure relates shall be regarded for the purposes of section 3 of the principal Act and section 3 of this Act as used in connection with the foreign field.
- 11 (1) In the following provisions of this Schedule expenditure which falls within paragraphs (a) and (b) of sub-paragraph (1) of paragraph 10 above is referred to as “qualifying expenditure”.
- (2) In relation to qualifying expenditure, references in section 3 of the principal Act to tariff receipts shall be construed as references to chargeable receipts falling within paragraph (a) or paragraph (b) of subsection (1) of the principal section.
- (3) If, on the relevant assumptions <sup>F11</sup> . . . , expenditure which was incurred in relation to a field asset but which is not qualifying expenditure would have qualified for supplement as mentioned in subsection (5) of section 3 of the principal Act, then, in relation to qualifying expenditure which relates to that field asset, subsection (5A) of that section shall have effect with the omission of paragraph (a).
- <sup>F12</sup>(4) . . . . .
- (5) In relation to qualifying expenditure which is allowable expenditure within the meaning of Part II of Schedule 1 to this Act, in paragraph 8 of that Schedule—
- (a) any reference to disposal receipts shall be construed as a reference to chargeable receipts falling within subsection (1)(c) of the principal section; and
- (b) any reference to tariff receipts shall be construed as a reference to other descriptions of chargeable receipts.

#### Textual Amendments

**F11** Words in [Sch. 4 para. 11\(3\)](#) repealed (16.7.1992 with effect in accordance with s. 74(5) of the repealing Act) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), ss. 74(5), 82, [Sch. 15 para. 8\(a\)](#), [Sch. 18 Pt.VIII](#).

**F12** [Sch. 4 para. 11\(4\)](#) repealed (16.7.1992 with effect in accordance with s. 74(5) of the repealing Act) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), ss. 74(5), 82, [Sch. 15 para. 8\(b\)](#), [Sch. 18 Pt.VIII](#).

#### *Claims for expenditure relief*

- 12 In relation to a claim for the allowance of any qualifying expenditure, and in relation to the foreign field in connection with which, by virtue of paragraph 10(4) above, the field asset concerned is to be regarded as used, the first claim period shall be the period ending on 30th June 1982 and each subsequent claim period shall be the period of six months from the end of the preceding claim period.

#### *The responsible person*

- 13 In relation to a foreign field, paragraph 4 of Schedule 2 to the principal Act shall have effect as if—
- (a) for sub-paragraphs (1) to (5) there were substituted the following sub-paragraph—

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- “(1) For each oil field the Board may, by notice in writing given to him, appoint one of the participators in the field as the responsible person for that field, to perform in relation to the field, any functions conferred on the responsible person as such by this Part of this Act; and the participator who for the time being holds that appointment is in this Part of this Act referred to as “the responsible person””;
- (b) in sub-paragraphs (6) and (7) for any reference to a body corporate or partnership there were substituted a reference to a participator; and
- (c) sub-paragraph (8) (which varies the definition of “participator” in relation to a United Kingdom field) were omitted.

*Management and collection*

- 14 (1) In its application to tax chargeable only by virtue of the provisions of the principal section and this Schedule, Schedule 2 to the principal Act (in this paragraph referred to as “Schedule 2”) shall have effect as if—
- (a) any reference in that Schedule to an oil field or a participator were a reference only to a foreign field or, as the case may be, a participator in a foreign field, and
- (b) any reference in that Schedule to a chargeable period (within the meaning of Part I of the principal Act) were a reference only to a chargeable period within the meaning of this Schedule to which there are attributable any chargeable receipts of a participator in a foreign field,
- and subject to the modifications made in the following provisions of this paragraph.
- (2) Notwithstanding anything in sub-paragraph (2) of paragraph 1 of Schedule 2, sub-paragraph (1) above shall have effect in relation to those provisions of the <sup>M4</sup>Taxes Management Act 1970 which are applied by that paragraph as it has effect in relation to Schedule 2 itself.
- (3) Paragraph 2 of Schedule 2 shall have effect as if for sub-paragraphs (2) and (3) there were substituted the following sub-paragraph—
- “(2) A return under this paragraph for a chargeable period shall contain the following particulars—
- (a) a statement of the amount or value and the source of any receipts which are, within the meaning of Schedule 4 to the Oil Taxation Act 1983, chargeable receipts of the participator attributable to the chargeable period to which the return relates; and
- (b) a statement of the assets giving rise to any such receipts; and
- (c) such other particulars as the Board may prescribe with respect to any such receipts”;
- and accordingly subsections (1) to (3) of section 10 of this Act shall not apply in relation to a return made under that paragraph by virtue of this Schedule.
- (4) Paragraph 5 of Schedule 2 shall have effect as if for sub-paragraphs (2) and (2A) there were substituted the following sub-paragraph—
- “(2) A return under this paragraph shall contain such particulars of or relating to the oil field as the Board may require for the purpose of determining the amount by which any chargeable receipts, within the meaning of



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Schedule 4 to the Oil Taxation Act 1983, are to be treated as reduced by virtue of section 9 of that Act, as applied by paragraph 8(3) of that Schedule.”

- (5) Paragraph 7(1) of Schedule 2 shall have effect with the omission of the words “or to oil won therefrom”, in both places where they occur.
- (6) Paragraph 14 of Schedule 2 shall have effect as if for sub-paragraphs (i) and (ii) of paragraph (b) of sub-paragraph (3) there were substituted the following sub-paragraphs—
- “(i) the aggregate of the receipts as stated in the participator’s return in pursuance of sub-paragraph (2)(a) of that paragraph; and
- (ii) the aggregate of the corresponding receipts as included in the assessment”;

and with the omission of sub-paragraphs (4) to (7).

**Marginal Citations**

M4 1970 c. 9.

*Payment on account*

- 15 In its application to tax chargeable only as mentioned in paragraph 14(1) above, paragraph 2 of the Schedule to the <sup>M5</sup>Petroleum Revenue Tax Act 1980 shall have effect as if, in place of the sub-paragraph (2A) set out in section 10(6) of this Act, there were substituted the following sub-paragraph—
- “(2A) The amount of any chargeable receipts, within the meaning of Schedule 4 to the Oil Taxation Act 1983, shall be taken from the particulars included in the return referred to in sub-paragraph (2) above, and any amount by which any of those receipts are to be treated as reduced under section 9 of that Act, as applied by paragraph 8(3) of that Schedule, shall be determined accordingly.”

**Marginal Citations**

M5 1980 c. 1.

*Income and corporation taxes*

- 16 (1) Section 11 of this Act shall have effect as if—
- (a) any reference therein to an oil field included a reference to a foreign field; and
- (b) any reference therein to a participator were to be construed, in relation to a foreign field, in accordance with subsection (2)(b) of the principal section; and
- (c) any reference therein to a tariff receipt included a reference to a chargeable receipt consisting of consideration received or receivable as mentioned in paragraph (a) or paragraph (b) of subsection (1) of the principal section.

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- (2) Paragraphs (a) and (b) of sub-paragraph (1) above apply in relation to paragraph 11(3) of Schedule 2 to this Act in so far as that paragraph has effect for the purposes of section 11 of this Act by virtue of subsection (4) thereof.

## SCHEDULE 5

Section 13.

### TRANSITIONAL PROVISIONS

#### *Interpretation*

- 1 (1) In this Schedule—
- “existing expenditure” means expenditure to which, in accordance with section 13 of this Act, this Schedule applies;
- “the existing asset” means the asset which was acquired or brought into existence, or the value of which was enhanced as a result of the incurring of the existing expenditure;
- “the purchaser”, in relation to any existing expenditure, means the person referred to in section 13(1) of this Act as the person incurring the expenditure;
- “tariff receipts” has the same meaning in relation to consideration received or receivable on or before 30th June 1982 as it has in relation to consideration received or receivable after that date;
- “transitional claim period” means, subject to sub-paragraphs (2) and (3) below, the claim period ending on 30th June 1982,
- (2) If, in the case of an oil field,—
- (a) there is such a claim period as is mentioned in subsection (1)(b) of section 13 of this Act, and
  - (b) no election is made under subsection (2) of that section with respect to that claim period,
- then that claim period is the transitional claim period for the field for the purposes of this Schedule.
- (3) In the case of an oil field—
- (a) from which all the oil won is excluded oil, as defined in section 10(1) of the principal Act (exempt gas), and
  - (b) with respect to which no election under paragraph 1(1) of Schedule 5 to the principal Act has been made before the passing of this Act,
- there shall be deemed to be a claim period of twelve months ending on 30th June 1982 and, accordingly, that period is the transitional claim period for the field for the purposes of this Schedule.
- (4) For the purposes of this Schedule, tariff receipts received or receivable before 1st July 1982 shall be treated as attributable to the field to which they would be attributable if they had been received or receivable on or after that date, and “chargeable field” shall be construed accordingly.

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*Review for transitional claim period*

- 2 Section 4 of the principal Act shall have effect with respect to the transitional claim period as if—
- (a) at the end of subsection (2) there were added the words “and Schedule 5 to the Oil Taxation Act 1983”;
  - (b) in subsection (4), for the words “subsections (5) and (6)”, there were substituted the words “subsection (5)”;
  - (c) in subsection (5), for the words from “that proportion is” to “can be made” there were substituted the words “that proportion is, upon the making of the best estimate reasonably practicable at the end of the period”; and paragraph (b) were omitted;
  - (d) subsection (6) were omitted;
  - (e) in subsection (7) for the words “subsections (5) and (6)” there were substituted the words “subsection (5)”;
  - (f) in subsection (11) for the words from “subsections (5)” to “apply” there were substituted the words “subsection (5) above (including that subsection as it applies”; and
  - (g) section 3(5A) of the principal Act applied, for the purposes only of the said section 4, to expenditure incurred before 1st July 1982.

*No further reviews after the transitional claim period*

- 3 Section 4 of the principal Act shall not have effect with respect to any existing expenditure for claim periods ending after the transitional claim period.

*Assets giving rise to tariff receipts*

- 4 For the purposes of section 4 of the principal Act, so much of the use or expected use of the existing asset otherwise than in connection with the chargeable field as has given, or was at the end of the transitional claim period reasonably expected to give, rise to tariff receipts of the purchaser attributable to the chargeable field shall be treated, in relation to the existing expenditure, as use of the asset in connection with the chargeable field.

*Re-opening past claim periods and chargeable periods*

- 5 (1) This paragraph applies in any case where—
- (a) a participator in an oil field has paid tax charged on the assessable profit accruing to him in a chargeable period ending not later than the passing of this Act; but
  - (b) on the assumptions in sub-paragraph (2) below, there would have been less, or no, tax so charged.
- (2) For the purposes of this paragraph it shall be assumed—
- (a) that section 4 of the principal Act had always applied with the modifications made by paragraph 2 above; and
  - (b) that paragraph 4 above had always been in force and had applied with respect to claim periods earlier than the transitional claim period as it applies with respect to that period; and
  - (c) that any claim relating to the existing expenditure (with or without other expenditure) which is or was made for the transitional claim period or any

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earlier claim period had been for the allowance of so much of the existing expenditure as would have been allowable on the assumptions in paragraphs (a) and (b) above.

- (3) If, in a case where this paragraph applies, a claim is made for the purpose, there shall be determined—
- (a) the maximum amount allowable in respect of the existing expenditure on any claim falling within sub-paragraph (2)(c) above, and
  - (b) the amount by which that maximum amount exceeds so much of the existing expenditure as, if this Act had not been enacted, would have been allowable for the transitional claim period and earlier claim periods (whether or not any of that expenditure was in fact so allowed),
- and it shall be assumed that the excess referred to in paragraph (b) above had been allowed at the time or, as the case may be, at the earliest time at which notice was in fact given of a decision of the Board on the claim referred to in paragraph (a) above relating to the allowance of any of the existing expenditure; and paragraph 12 of Schedule 2 to the principal Act (revision of assessments and determinations etc.) shall have effect accordingly.
- (4) A claim under sub-paragraph (3) above shall be made within such period, by such person and in such form and manner as the Board may require.

*Expenditure on associated assets*

- 6 (1) This paragraph applies in a case where—
- (a) the existing asset is not a mobile asset but the existing expenditure was not or would not, apart from this paragraph, be allowable under section 4 of the principal Act by reason only that the use of the existing asset was not in connection with the oil field referred to in section 13(1) of this Act; and
  - (b) the use of the existing asset has given, or was at the end of the transitional claim period expected to give, rise to receipts which, assuming the existing asset to be a qualifying asset, would be tariff receipts; and
  - (c) that use of the existing asset was or was so expected to be in association with another asset used, or expected to be used, in connection with the oil field referred to in section 13(1) of this Act.
- (2) Where this paragraph applies,—
- (a) the use referred to in sub-paragraph (1)(b) above shall be treated for the purposes of section 4 of the principal Act as use in connection with the field referred to in section 13(1) of this Act; and
  - (b) a claim for an allowance under section 4 of the principal Act in respect of the existing expenditure may be made in a claim for the transitional claim period, whether or not that is the first relevant claim period, within the meaning of that section.
- (3) For the purposes of paragraph (c) of sub-paragraph (1) above, an asset shall not be regarded as used in association with another asset which is, or is expected to be, used in connection with the oil field mentioned in that paragraph unless it is used in a way which constitutes use in connection with another oil field or would constitute such use but for section 10(2) of the principal Act (exempt gas).

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*Other claims for past expenditure*

- 7 (1) In any case where—
- (a) no claim has been made for any claim period earlier than the transitional claim period for the allowance under section 4 of the principal Act of the existing expenditure or any particular item of it, and
  - (b) if such a claim had been made before the passing of this Act, the existing expenditure or, as the case may be, that item of it would not have been allowable under that section, and
  - (c) if paragraphs 2 and 4 above had always been in force and had applied with respect to claim periods earlier than the transitional claim period, the whole or some part of the existing expenditure or, as the case may be, of that item of it would have been allowable on a claim for one of those claim periods,
- an appropriate claim may be made for the transitional claim period, notwithstanding that that is not the first relevant claim period, within the meaning of section 4 of the principal Act.
- (2) In sub-paragraph (1) above an “appropriate claim” means a claim for the allowance under section 4 of the principal Act of so much of the existing expenditure or, as the case may be, of the item of it referred to in that sub-paragraph as would have been allowable at or before the end of the transitional claim period if, in the circumstances referred to in paragraph (c) of that sub-paragraph, a claim had been made for the claim period which, in those circumstances, would have been the first relevant claim period, within the meaning of that section.
- (3) This paragraph does not apply in relation to an item of the existing expenditure if, on a claim under paragraph 5 above, account is taken of that item in determining the maximum amount referred to in sub-paragraph (3)(a) of that paragraph.

SCHEDULE 6

Section 15(6).

REPEALS

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<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1975 c. 22.	The Oil Taxation Act 1975.	In Schedule 4, in paragraph 2(1), the words from “by another person” to “that asset” and paragraph 5.
1980 c. 48.	The Finance Act 1980.	In section 107, subsection (5) and in subsection (6), the words “and (5)”.

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**Status:**

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**Changes to legislation:**

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