



Capital Allowances Act 2001

2001 CHAPTER 2

PART 2

PLANT AND MACHINERY ALLOWANCES

CHAPTER 13

PROVISIONS AFFECTING MINING AND OIL INDUSTRIES

Oil production sharing contracts

167 Oil production sharing contracts

- (1) Sections 168 to 170 apply if—
 - (a) a person (“the contractor”) is entitled to an interest in a contract made with, or with the authorised representative of, the government of a country or territory in which oil is or may be produced, and
 - (b) the contract provides (among other things) for any plant or machinery of a description specified in the contract which—
 - (i) is provided by the contractor, and
 - (ii) has an oil-related use under the contract,to be transferred (immediately or later) to the government or representative.
- (2) For the purposes of this section and sections 168 to 170, plant or machinery has an oil-related use if it is used—
 - (a) to explore for, win access to or extract oil,
 - (b) for the initial storage or treatment of oil, or
 - (c) for other purposes ancillary to the extraction of oil.
- (3) In this section and sections 168 to 170 “oil” has the meaning given by section 556(3).

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Cross Heading: Oil production sharing contracts. (See end of Document for details)

168 Expenditure on plant or machinery incurred by contractor

- (1) This section applies if—
- (a) the contractor incurs capital expenditure on the provision of plant or machinery of a description specified in the contract,
 - (b) the plant or machinery is to have an oil-related use under the contract, for the purposes of a trade of oil extraction carried on by the contractor,
 - (c) the amount of the expenditure is commensurate with the value of the contractor's interest under the contract, and
 - (d) the plant or machinery is transferred to the government or representative in accordance with the contract.
- (2) Despite the transfer, the plant or machinery is to be treated for the purposes of this Part as owned by the contractor (and not by any other person) until—
- (a) it ceases to be owned by the government or representative, or
 - (b) it ceases to be used, or held for use, by any person under the contract.

This is subject to section 170(2).

169 Expenditure on plant or machinery incurred by participator

- (1) This section applies if—
- (a) a person (“the participator”) acquires an interest in the contract from—
 - (i) the contractor, or
 - (ii) another person who has acquired it (directly or indirectly) from the contractor,
 - (b) the participator incurs capital expenditure on the provision of plant or machinery,
 - (c) the plant or machinery is to have an oil-related use under the contract, for the purposes of a trade of oil extraction carried on by the participator,
 - (d) the amount of the expenditure is commensurate with the value of the participator's interest under the contract, and
 - (e) the plant or machinery is transferred to the government or representative in accordance with the contract.
- (2) Despite the transfer, the plant or machinery is to be treated for the purposes of this Part as owned by the participator (and not by any other person) until—
- (a) it ceases to be owned by the government or representative, or
 - (b) it ceases to be used, or held for use, by any person under the contract.

This is subject to section 170(2).

170 Participator's expenditure attributable to plant or machinery

- (1) This section applies if—
- (a) a person (“the relevant participator”) acquires an interest in the contract from—
 - (i) the contractor, or
 - (ii) another person who has acquired it (directly or indirectly) from the contractor, and

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- (b) some of the expenditure incurred by the relevant participator to acquire the interest in the contract is attributable to plant or machinery which—
 - (i) is treated by section 168 as owned by the contractor, or
 - (ii) is treated by section 169 or subsection (2) as owned by another person (“the other participator”).
- (2) The plant or machinery is to be treated for the purposes of this Part as owned by the relevant participator (and not by any other person) until—
 - (a) it ceases to be owned by the government or representative, or
 - (b) it ceases to be used, or held for use, by any person under the contract.

This is subject to a later application of this subsection.
- (3) The person who, until subsection (2) applies, is treated as owning the plant or machinery is to be treated for the purposes of this Part as if he had disposed of it for a consideration equal to the relevant participator’s expenditure attributable to it.
- (4) The relevant participator is to be treated for the purposes of this Part as if—
 - (a) he had incurred capital expenditure of an amount given by subsection (5), and
 - (b) he owned the plant or machinery (in accordance with subsection (2)) as a result of having incurred that expenditure.
- (5) The amount of that expenditure is—
 - (a) the amount of the relevant participator’s expenditure attributable to the plant or machinery, or
 - (b) if less, the disposal value to be brought into account by the contractor or the other participator as a result of subsection (3).
- (6) The expenditure attributable to plant or machinery for the purposes of this section is to be determined having regard to what is just and reasonable in the circumstances.

171 Disposal values on cessation of ownership

- (1) This section applies if a person treated as owning plant or machinery under section 168(2), 169(2) or 170(2) ceases to be treated as owning it solely as a result of one of those provisions.
- (2) If the person receives capital compensation, the disposal value to be brought into account is the amount of the compensation.
- (3) If the person does not receive capital compensation, the disposal value to be brought into account is nil.

Modifications etc. (not altering text)

C1 S. 171 excluded (E.W.S.) (8.6.2005) by [Railways Act 2005 \(c. 14\), s. 60\(2\)](#), [Sch. 10 para. 14\(2\)\(a\)](#); [S.I. 2005/1444, art. 2\(1\)](#), [Sch. 1](#)

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