



Capital Allowances Act 2001

2001 CHAPTER 2

PART 12

SUPPLEMENTARY PROVISIONS

CHAPTER 3

DISPOSALS OF OIL LICENCES: PROVISIONS RELATING TO PARTS 5 AND 6

Oil licences relating to undeveloped areas

553 Consideration to be treated as nil

- (1) This section applies if—
- (a) there is a material disposal of an oil licence which, at the time of the disposal, relates to an undeveloped area, and
 - (b) any of the consideration for the disposal consists of—
 - (i) another oil licence, or an interest in another oil licence, which at that time relates to an undeveloped area, or
 - (ii) an obligation to undertake exploration work or appraisal work in an area which is or forms part of the licensed area in relation to the licence disposed of.
- (2) The value of the consideration within subsection (1)(b) is to be treated as nil for the purposes of—
- (a) Part 5 (mineral extraction allowances),
 - (b) Part 6 (research and development allowances), and
 - (c) section 555 (disposal of oil licence with exploitation value).
- (3) A “material disposal” of an oil licence means any disposal (including a part disposal and a disposal of an interest in an oil licence) other than a disposal in relation to which section 568 or 569 (sales treated as being for alternative amount) has effect.

Changes to legislation: There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 553. (See end of Document for details)

- (4) If—
- (a) the material disposal is part of a larger transaction under which one party makes to another material disposals of two or more licences, and
 - (b) at the time of disposal, each of those licences relates to an undeveloped area, the licensed area for the purposes of subsection (1)(b) is the totality of the licensed areas in relation to those licences.
- (5) In relation to a material disposal of a licence under which the buyer acquires an interest in the licence only so far as it relates to part of the licensed area, any reference in this section and section 554 to the licensed area is to be read as a reference only to that part of the licensed area to which the buyer’s acquisition relates.
- (6) In subsection (1)(b)—
- “exploration work”, in relation to an area, means work carried out for the purpose of searching for oil anywhere in that area, and
 - “appraisal work”, in relation to an area, means work carried out for the purpose of ascertaining—
 - (a) the extent or characteristics of any oil-bearing area the whole or part of which lies in that area, or
 - (b) what the reserves of oil of any such oil-bearing area are.

Changes to legislation:

There are currently no known outstanding effects for the Capital Allowances Act 2001, Section 553.