



Finance Act 2004

2004 CHAPTER 12

PART 5

OIL

288 Terminal losses

- (1) Schedule 17 to the Finance Act 1980 (c. 48) (transfers of interests in oil fields) is amended as follows.
- (2) For paragraph 15 (terminal losses) substitute—

15 “Terminal losses

- (1) This paragraph applies in any case where—
 - (a) such an allowable loss as falls to be relieved under section 7(3) accrues to the new participator from the field in a chargeable period ending after 17th March 2004, but
 - (b) some or all of the loss cannot be relieved under section 7(3) against assessable profits accruing to him from the field.
- (2) So much of the loss as cannot be so relieved (“the remaining loss”) shall be regarded as an allowable unrelievable field loss in relation to the new participator (“the loss-maker”) only to the extent that—
 - (a) so much of it as cannot be relieved in accordance with sub-paragraphs (3) to (6) below,
exceeds
 - (b) the aggregate of any relevant previous participators' expenditure unrelated to the field (see sub-paragraphs (10) and (11) below).
- (3) The remaining loss shall be treated as an allowable loss which falls to be relieved under section 7(3) against so much of any assessable profits accruing to the old participator from the field as is attributable to his represented interest (see sub-paragraphs (9) and (12) below).

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- (4) Where a person is the new participator in relation to two or more old participators—
- (a) the remaining loss shall be apportioned between those old participators in such manner as is just and reasonable having regard to the interests respectively transferred by them to the new participator,
 - (b) sub-paragraph (3) above shall have effect separately in relation to each of them (and the part of the remaining loss apportioned to him).
- (5) Any relief by virtue of sub-paragraph (3) above shall be given against the assessable profits accruing to the old participator in an earlier chargeable period only to the extent to which it cannot be given against the assessable profits accruing to him in a later chargeable period.
- (6) If—
- (a) the old participator acquired some or all of his interest in the field by a previous transfer in relation to which he was the new participator,
 - (b) Parts 2 and 3 of this Schedule applied in relation to that previous transfer, and
 - (c) some or all of the part of the remaining loss treated as an allowable loss of his cannot be relieved in accordance with sub-paragraph (3) above,

sub-paragraphs (3) to (5) above shall apply in relation to so much of that part of the remaining loss as cannot be so relieved as they apply in relation to the remaining loss, but construing the references in those sub-paragraphs to the new participator and the old participator by reference to that previous transfer and the parties to it, and then applying this sub-paragraph accordingly (and so on).

- (7) But where—
- (a) the person who is the old participator in relation to a transfer made before 17th March 2004 (“the later transfer”) is also the new participator in relation to a previous transfer, and
 - (b) Parts 2 and 3 of this Schedule applied in relation to both of those transfers,

sub-paragraph (3) above shall not apply by virtue of sub-paragraph (6) above in relation to so much of the assessable profits of the person who is the old participator in relation to that previous transfer as is attributable to so much of his interest as constitutes the whole or part of his represented interest by virtue of the later transfer.

- (8) Where losses accruing to each of two or more participators fall to be relieved by virtue of sub-paragraph (3) above against the same assessable profits, a loss accruing to the person who last had an interest representing the whole or part of the transferred interest at an earlier time shall be so relieved before one accruing to a person who last had such an interest at a later time.

In this sub-paragraph “the transferred interest” means the interest transferred by the person against whose assessable profits the losses fall to be relieved.

- (9) In determining for the purposes of this paragraph the assessable profits of a participator that are attributable to his represented interest, the assessable profits shall be apportioned between—

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- (a) the represented interest, and
 - (b) the remainder of the participator’s interest,using such method as is just and reasonable, having regard to the respective sizes of those interests.
- (10) For the purposes of this paragraph “relevant previous participators’ expenditure unrelated to the field” means so much of each relevant previous participator’s allowed expenditure unrelated to the field as is referable to his represented interest, other than excepted old expenditure.
- (11) For the purposes of sub-paragraph (10) above—
 - “allowed expenditure unrelated to the field”, in relation to a participator, is expenditure unrelated to the field which is allowed on a claim or election made by the participator;
 - “excepted old expenditure” is expenditure which has been allowed in pursuance of a claim or election for its allowance received by the Board before 17th March 2004;
 - “relevant previous participator” means a participator against any of whose assessable profits relief is given in accordance with sub-paragraphs (3) to (6) above;
 - and sub-paragraph (9) above shall apply in relation to allowed expenditure unrelated to the field as it applies in relation to assessable profits.
- (12) In this paragraph—
 - “expenditure unrelated to the field” has the meaning given by section 6(9);
 - “the loss-maker” shall be construed in accordance with sub-paragraph (2) above;
 - “previous owner” means a person from whom the loss-maker directly or indirectly derives his title to the whole or any part of his interest;
 - “represented interest”, in the case of a previous owner, means so much of the interest which that previous owner transferred, by a transfer to which Parts 2 and 3 of this Schedule apply, as is represented in the loss-maker’s interest by virtue only of—
 - (a) that transfer, or
 - (b) that transfer and one or more subsequent transfers to which those Parts apply,making, for the purposes of paragraph (b) above, such apportionments as are just and reasonable, having regard to the interests transferred by each of the transferors.”.
- (3) The amendment made by this section has effect in relation to losses accruing in chargeable periods ending after 17th March 2004.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 236ZA inserted by [S.I. 2024/357 art. 2\(2\)](#)