

## SCHEDULES

### SCHEDULE 18

#### OIL TAXATION: MARKET VALUE OF OIL

#### PART 2

#### AMENDMENTS OF OTHER ENACTMENTS

##### *Finance (No. 2) Act 1987*

##### *The designated fraction for the month*

- 11 (1) Schedule 8 to F(No.2)A 1987 (amendments of Schedule 10 to FA 1987) is amended as follows.
- (2) Omit paragraph 5 (which contains amendments making provision for certain amounts to be multiplied by a fraction greater than unity, and has not been brought into force).
- (3) The amendment made by this paragraph has effect for chargeable periods beginning on or after 1st July 2006.

##### *Income and Corporation Taxes Act 1988*

##### *Valuation of oil disposed of or appropriated in certain circumstances.*

- 12 (1) Section 493 of ICTA (valuation of oil disposed of or appropriated in certain circumstances) is amended as follows.
- (2) Before subsection (1) insert—
- “(A1) Where the conditions in subsection (A2) below are met in the case of a disposal of oil by a person, section 2(5A) of the Oil Taxation Act 1975 (“the 1975 Act”) (transportation etc) is to apply in determining the amount which the person is to bring into account for the purposes of the charge to corporation tax on income in respect of the disposal as it applies (or would apply) for the purposes of petroleum revenue tax.
- (A2) The conditions are that—
- (a) the oil is oil won from an oil field in the United Kingdom,
- (b) the disposal is a disposal of the oil by the person crude in a sale at arm’s length, as defined in paragraph 1 of Schedule 3 to the 1975 Act,
- (c) the circumstances are such that the price received or receivable—

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*Status: This is the original version (as it was originally enacted).*

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- (i) falls to be taken into account under section 2(5)(a) of that Act in computing for the purposes of petroleum revenue tax the assessable profit or allowable loss accruing to the person in any chargeable period from the oil field, or
  - (ii) would fall to be so taken into account, had the oil field been a taxable field, as defined in section 185 of the Finance Act 1993,
  - (d) the terms of the contract are such as are described in the opening words of section 2(5A) of the 1975 Act,
  - (e) apart from subsection (A1) above, the person is not entitled to a transportation allowance in respect of the oil (see subsection (A3)) in computing his ring fence profits,
  - (f) the person does not claim a transportation allowance in respect of the oil in computing for the purposes of corporation tax any profits of his that are not ring fence profits.
- (A3) In subsection (A2) above “transportation allowance”, in relation to any oil, means any of the following—
- (a) a deduction in respect of the expense of transporting the oil as mentioned in the opening words of section 2(5A) of the 1975 Act,
  - (b) a deduction in respect of any costs of or incidental to the transportation of the oil as there mentioned,
  - (c) any such reduction in the price to be regarded as received or receivable for the oil as would result from the application of section 2(5A) of the 1975 Act, if that provision applied for the purposes of corporation tax.”.
- (3) In subsection (1)—
- (a) omit “in a particular month”, and
  - (b) for “the Oil Taxation Act 1975 (“the 1975 Act”)” substitute “the 1975 Act”.
- (4) In subsection (2), omit “in a particular month”.
- (5) In subsection (3), omit “in the calendar month in which the disposal was made”.
- (6) In subsection (4), omit “in the calendar month in which it was appropriated”.
- (7) For subsection (5) substitute—
- “(5) For the purposes of subsections (3) and (4) above, paragraph 2 of Schedule 3 to the 1975 Act shall apply as it applies for the purposes of Part 1 of that Act, but with the following modifications—
- (a) sub-paragraph (4) shall be treated as omitted;
  - (b) any reference in paragraphs 2 and 2A to oil being relevantly appropriated shall be construed as a reference to its being appropriated as mentioned in section 493(4) of the Taxes Act; and
  - (c) any reference in paragraph 2 to the notional delivery day for the actual oil shall be construed as a reference to the day on which the oil is disposed of or appropriated as mentioned in subsection (3) or (4) above.”.