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## SCHEDULES

### SCHEDULE 20

#### CAPITAL ALLOWANCES: OFFSHORE OIL INFRASTRUCTURE

##### PART 1

##### CHARGEABLE PERIODS ENDING BEFORE 1ST OR 6TH APRIL 2001

*Writing-down allowances: infrastructure from UK or non-UK oil fields*

- 1 In Chapter 7 of Part 2 of the Capital Allowances Act 1990 (c. 1) (machinery and plant: miscellaneous expenditure), after section 62 insert—

**“62AA Reuse etc. of offshore oil infrastructure**

- (1) This section applies where—
- (a) a person carrying on a trade of oil extraction incurs decommissioning expenditure, and
  - (b) the machinery or plant concerned—
    - (i) has been brought into use for the purposes of the trade, and
    - (ii) is, or was when last in use for those purposes, offshore infrastructure.
- (2) In this section—
- “decommissioning expenditure” has the meaning given by section 62AB;
  - “offshore infrastructure” has the meaning given by section 62AC.
- (3) The person’s qualifying expenditure for the chargeable period in which the decommissioning expenditure is incurred is treated for the purposes of sections 24 and 25 as increased by the amount of the decommissioning expenditure.
- (4) Subsection (3) above is subject to subsections (5) and (6) below and section 62A(4A).
- (5) Subsection (3) above does not apply to decommissioning expenditure on UK infrastructure unless it is incurred in connection with measures taken, wholly or substantially, in order to comply with—
- (a) an abandonment programme within the meaning given by section 29 of the Petroleum Act 1998 (c. 17), or
  - (b) any condition to which the approval of such a programme is subject.
- (6) Subsection (3) above does not apply to expenditure in respect of which an allowance or deduction could be made apart from that subsection in

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taxing, or computing, the person's income for any purpose of income tax or corporation tax.

- (7) For the purposes of subsection (5) above, decommissioning expenditure is “on UK infrastructure” if the machinery or plant concerned—
- (a) is offshore infrastructure within section 62AC(1)(a) or (c), or
  - (b) is not offshore infrastructure but was offshore infrastructure within section 62AC(1)(a) or (c) when last in use for the purposes of the trade.

#### **62AB Meaning of “decommissioning expenditure” in section 62AA**

- (1) In section 62AA “decommissioning expenditure” means expenditure in connection with—
- (a) preserving machinery or plant pending its reuse or demolition,
  - (b) preparing machinery or plant for reuse,
  - (c) arranging for the reuse of machinery or plant, or
  - (d) demolishing machinery or plant.
- (2) It is immaterial for the purposes of subsection (1)(a) above whether the machinery or plant is reused, is demolished or is partly reused and partly demolished.
- (3) It is immaterial for the purposes of subsection (1)(b) and (c) above whether the machinery or plant is in fact reused.

#### **62AC Meaning of “offshore infrastructure” in section 62AA**

- (1) In section 62AA “offshore infrastructure” means—
- (a) an offshore installation within the meaning given by section 44 of the Petroleum Act 1998 or a part of such an installation, or
  - (b) something that would be, or would be a part of, an offshore installation within that meaning if in subsection (3) of that section “relevant waters” meant waters in a foreign sector of the continental shelf and other foreign tidal waters, or
  - (c) a pipeline within the meaning of section 26 of that Act, or a part of such a pipeline, that is in, under or over waters in—
    - (i) the territorial sea adjacent to the United Kingdom, or
    - (ii) an area designated under section 1(7) of the Continental Shelf Act 1964 (c. 29), or
  - (d) a pipeline within the meaning of section 26 of the Petroleum Act 1998 (c. 17), or a part of such a pipeline, that is in, under or over waters in a foreign sector of the continental shelf.
- (2) In subsection (1)(b) and (d) above—
- “foreign sector of the continental shelf” means an area within which rights are exercisable with respect to the sea bed and subsoil and their natural resources by a country or territory outside the United Kingdom;
- “foreign tidal waters” means tidal waters in an area within which rights are exercisable with respect to the bed and subsoil of the body

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of water in question and their natural resources by a country or territory outside the United Kingdom.”.

*Ring fence trades: special allowance for pre-cessation abandonment expenditure*

- 2 (1) Section 62A of the Capital Allowances Act 1990 (c. 1) (special allowance for costs of demolition of offshore machinery or plant) is amended as follows.
- (2) In subsection (1) (section applies to expenditure that would otherwise fall within section 62(1)(b)), after “section 62(1)(b)” insert “ or 62AA(3) ”.
- (3) In subsection (1)(c)—
- (a) for “the demolition of” substitute “ decommissioning ”; and
  - (b) after “which is or forms part of” insert “ , or when last in use for the purposes of the trade was or formed part of, ”.
- (4) In subsection (3)(a), for “demolition” (in both places) substitute “ decommissioning ”.
- (5) After subsection (3) insert—
- “(3A) In this section “decommissioning”, in relation to any machinery or plant, means—
- (a) demolishing the machinery or plant,
  - (b) preserving the machinery or plant pending its reuse or demolition,
  - (c) preparing the machinery or plant for reuse, or
  - (d) arranging for the reuse of the machinery or plant.
- (3B) For the purposes of this section—
- (a) in determining whether expenditure is incurred on preserving machinery or plant pending its reuse or demolition, it is immaterial whether the machinery or plant is reused, is demolished or is partly reused and partly demolished; and
  - (b) in determining whether expenditure is incurred on preparing machinery or plant for reuse, or on arranging for the reuse of machinery or plant, it is immaterial whether the machinery or plant is in fact reused.”.
- (6) For subsection (4) (entitlement to special allowance) substitute—
- “(4) If the person incurring any abandonment expenditure so elects, for the chargeable period in which that expenditure is incurred there shall be made to that person an allowance equal to so much of the abandonment expenditure to which the election relates as is incurred in that period.
- (4A) If a person makes such an election, neither of sections 62(1)(b) and 62AA(3) applies.
- (4B) If machinery or plant is demolished, the total of any allowances under subsection (4) above in respect of expenditure on the decommissioning of the machinery or plant is reduced by the amount of any moneys received for the remains of the machinery or plant.
- (4C) Effect is given to subsection (4B) above by setting the amount (until wholly utilised)—

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first, against any allowance under subsection (4) above for the chargeable period in which the amount is received (as previously reduced in giving effect to subsection (4B));  
second, against allowances under that subsection for earlier chargeable periods (as so reduced and taking later such periods before earlier ones); and  
third, against allowances under that subsection for later chargeable periods (as so reduced and taking earlier such periods before later ones).”.

(7) In subsection (5)(a) (election must specify amounts received for remains), for “subsection (4)(a)” substitute “ subsection (4B) ”.

(8) In the sidenote, for “demolition” substitute “ decommissioning ”.

*Ring fence trades: allowances for post-cessation expenditure*

- 3     (1) Section 62B of the Capital Allowances Act 1990 (c. 1) (abandonment expenditure incurred within 3 years of ceasing ring fence trade) is amended as follows.
- (2) In subsection (1)(b) (section applies where expenditure incurred within 3 years of ceasing trade), for “the demolition of” substitute “ decommissioning ”.
- (3) In subsection (1)(c) (section applies where expenditure would have been abandonment expenditure under section 62A if incurred earlier), for “demolition” substitute “ decommissioning ”.
- (4) In subsection (2) (expenditure net of receipts for remains is eligible for allowances), for “the machinery or plant referred to in that paragraph” substitute “ any of the machinery or plant referred to in that paragraph on whose demolition any of the post-cessation expenditure was incurred ”.

*Commencement of Part 1*

- 4     (1) The amendments made by this Part of this Schedule apply to expenditure that is incurred—
- (a) on or after 7th August 2000, and
- (b) in a relevant chargeable period.
- (2) The amendments made by paragraph 1 also apply to expenditure incurred before 7th August 2000 if the expenditure—
- (a) is incurred in a relevant chargeable period, and
- (b) is within sub-paragraph (3) or (4).
- (3) Expenditure is within this sub-paragraph if—
- (a) it is decommissioning expenditure on UK infrastructure, and
- (b) it is incurred in connection with an abandonment programme approved on or after 7th August 2000.
- (4) Expenditure is within this sub-paragraph if—
- (a) it is decommissioning expenditure,
- (b) it is not decommissioning expenditure on UK infrastructure, and

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- (c) it is incurred in connection with a decommissioning activity that takes place on or after 7th August 2000.
- (5) The amendments made by paragraphs 2 and 3 also apply to expenditure incurred before 7th August 2000 if the expenditure—
  - (a) is incurred in a relevant chargeable period, and
  - (b) is incurred in connection with an abandonment programme approved on or after 7th August 2000.
- (6) In sub-paragraphs (3) and (4), “decommissioning expenditure” and “decommissioning expenditure on UK infrastructure” have the same meaning as in the section 62AA inserted by paragraph 1.
- (7) In sub-paragraph (4)(c) “decommissioning activity” means an activity mentioned in any of paragraphs (a) to (d) of the section 62AB(1) inserted by paragraph 1.
- (8) In this paragraph “relevant chargeable period” means—
  - (a) for income tax purposes, a chargeable period ending before 6th April 2001, and
  - (b) for corporation tax purposes, a chargeable period ending before 1st April 2001.

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