



# Oil Taxation Act 1975

## 1975 CHAPTER 22

An Act to impose a new tax in respect of profits from substances won or capable of being won under the authority of licences granted under the Petroleum (Production) Act 1934 or the Petroleum (Production) Act (Northern Ireland) 1964; to make in the law relating to income tax and corporation tax amendments connected with such substances or with petroleum companies; and for connected purposes. [8th May 1975]

### Modifications etc. (not altering text)

- C1** This Act is presented in the form in which it appears in the 1988 edition of The Taxes Acts (published by HMSO) and incorporating amendments made by the 1989 Inland Revenue Supplement and 1991 Statutes in Force Supplement. The style of editing differs from that applicable to most Acts published in Statutes in Force.
- C2** General amendments etc. to Tax Acts (or Income Tax Acts or Corporation Tax Acts as the case may be) made by Taxes Management Act 1970 (c. 9, SIF 63:1), s. 41A(7) (as added by Finance Act 1990 (c. 29, SIF 63:1), s. 95(1)(2), British Telecommunications Act 1981 (c. 38, SIF 96), s. 82(2)(7); Telecommunications Act 1984 (c. 12, SIF 96), s. 72(3); Finance Act 1984 (c. 43, SIF 63:1), ss. 82(6), 85(2), 89(1)(7), 96(1)(7), 98(7), Sch. 9 para. 3(2)(9), Sch. 16 paras. 6, 12 and Finance Act 1985 (c. 54, SIF 63:1), ss. 72(1), 74(5), Sch. 23 para. 15(4), S.I. 1987/530, regs. 11(2), 13(1), 14, Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), ss. 4, 6, 7, 9, 32, 34, 78, 134, 135, 141, 142, 185, 191, 193, 194, 195, 200, 203, 209, 212, 213, 219, 247, 253, 272, 287, 314, 315, 317, 318, 325, 326, 327, 345, 350, 351, 368, 375, 381, 397, 414, 432, 440, 442, 446, 458, 460, 461, 463, 463(2)(3) (as added by Finance Act 1990 (c. 29, SIF 63:1), s. 50(2)), 468, 474, 475, 486, 490, 491, 503, 511, 518, 524, 532, 544, 550, 556, 558, 569, 572, 582, 595, 601, 613, 617, 619, 621, 639, 656, 660, 663, 676, 689, 691, 694, 700, 701, 714, 716, 739, 743, 754, 763, 776, 780, 781, 782, 787, 789, 811, 828, 829, 832, 833, 834, 835, 837, 838, 839, 840, 841, 842, Sch. 2 para. 5, Sch. 4 para. 5, Sch. 13 para. 10, Sch. 16 para. 10, Sch. 21 para. 6, Sch. 26 para. 1, Sch. 27 para. 20, Finance Act 1988 (c. 39, SIF 63:1), ss. 66, 127(1)(6), Sch. 12 para. 6, Capital Allowances Act 1990 (c. 1, SIF 63:1), ss. 28(1), 68(8), 74, 82, 83(5), 148(5), 163(4), 164(2), S.I. 1990/627 and Finance Act 1990 (c. 29, SIF 63:1), s. 25(10)

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*Changes to legislation: There are currently no known outstanding effects for the Oil Taxation Act 1975. (See end of Document for details)*

## PART I

### PETROLEUM REVENUE TAX

#### Modifications etc. (not altering text)

- C3** See Finance Act 1986 (c. 41), s. 109(6); Advance Petroleum Revenue Tax Act 1986 (c. 68, SIF 63:1), s. 2(2)
- Part I (ss. 1-12) applied (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 199(7)(c), 289 (with ss. 60, 101(1), 171, 201(3)).
- Part I (ss. 1-12) applied (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 276(5), 289 (with ss. 60, 101(1), 171, 201(3)).
- C4** Part I (ss. 1-12) construed (16.7.1992) with s. 74 of Finance (No. 2) Act 1992 c. 48 by s. 74(6) of that 1992 Act.
- Part I (ss. 1-12) construed (27.7.1993) with Pt. III (other than s. 194), of 1993 c. 34 by s. 195(3) of that 1993 Act.
- Pt. I (ss. 1-12) construed (3.5.1994) with Pt. V of 1994 c. 9 by s. 257(2) of that 1994 Act
- Pt. I (ss. 1-12) construed (27.7.1999) with ss. 95-97 by 1999 c. 16, s. 97(7)
- Pt. I (ss. 1-12) construed (27.7.1999) with s. 98(7)(8) by 1999 c. 16, s. 98(7)
- Pt. I (ss. 1-12) construed (11.5.2001) with s. 102(5)-(10) of 2001 c. 9 by s. 102(11) of that Act
- Pt. I (ss. 1-12) construed (*retrospective* to 7.3.2001) with Sch. 32 of 2001 c. 9 by s. 101(4)(5), Sch. 32 para. 11 of that Act

#### 1 Petroleum revenue tax.

- (1) A tax, to be known as petroleum revenue tax, shall be charged in accordance with this Part of this Act in respect of profits from oil won under the authority of a licence granted under either the <sup>M1</sup>Petroleum (Production) Act 1934 or the <sup>M2</sup>Petroleum (Production) Act (Northern Ireland) 1964; and in this Part of this Act “oil” means any substance so won or capable of being so won other than methane gas won in the course of operations for making and keeping mines safe.
- (2) For each oil field the tax shall, in the case of each participator, be charged at the rate of [<sup>F1</sup>75 per cent.] on the assessable profit accruing to him in any chargeable period from that field, as reduced under section 7 of this Act by any allowable losses and under section 8 of this Act by reference to his share, if any, of the oil allowance for that period, subject however to the limit imposed in his case by section 9 of this Act.
- (3) In relation to any oil field—
  - (a) the first chargeable period is the period ending at the end of the critical half year (including an unlimited time prior to the beginning of that half year); and
  - (b) each subsequent half year is a chargeable period.
- (4) In this section—
 

“the critical half year”, in relation to an oil field, means the first half year ending after 12th November 1974 at the end of which the total amount of oil ever won and saved from the field exceeds 1,000 [<sup>F2</sup>metric tonnes] (counting [<sup>F2</sup>1,100 cubic metres] of gas at a temperature of 15 degrees centigrade and pressure of one atmosphere as equivalent to one [<sup>F2</sup>metric tonne]);

“half year” means a period of six months ending at the end of June or December.

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- (5) Schedule 1 to this Act shall have effect with respect to the determination of oil fields, and Schedule 2 to this Act shall have effect with respect to the management and collection of the tax; and this Part of this Act shall have effect subject to the further provisions in Schedule 3 to this Act and, in connection with certain gas sold to the British Gas Corporation, to section 10 of this Act.

#### Textual Amendments

- F1** Words substituted by [Finance Act 1982 \(c. 39\)](#), **s. 132(1)** in relation to chargeable periods ending after 31 December 1982
- F2** Words substituted by [Finance \(No. 2\) Act 1979 \(c. 47\)](#), **s. 21(2)** in relation to chargeable periods and half years ending after 31 December 1978

#### Modifications etc. (not altering text)

- C5** See [Oil Taxation Act 1983 \(c. 56\)](#), **s. 12(5)** in relation to the charge of receipts attributable to the U.K. use of foreign fields assets received or receivable after 30 June 1982 and Sch. 1 para. 1(4) in relation to expenditure on associated assets used in connection with an external field
- C6** See [Finance Act 1982 \(c. 39\)](#), **s. 135(1)**
- C7** Definition applied for purposes of [Income and Corporation Taxes Act 1988 \(c. 1\)](#), **s. 500(5)** Deduction of PRT in computing income for corporation tax purposes

#### Marginal Citations

- M1** 1934 c. 36.
- M2** 1964 c. 28 (N.I.).

## 2 Assessable profits and allowable losses.

- (1) For the purposes of the tax the assessable profit or allowable loss accruing to a participator in any chargeable period from an oil field shall be computed in accordance with the following provisions of this section.
- (2) The assessable profit or allowable loss so accruing in the period is the difference (if any) between the sum of the positive amounts for the period and the sum of the negative amounts for the period; and that difference (if any) is an assessable profit if the sum of the positive amounts is greater than the sum of the negative amounts, and is otherwise an allowable loss.
- (3) For the period—
- the positive amounts for the purposes of this section are the following (as defined in this section), namely the gross profit (if any) accruing to the participator in the period, his licence credit (if any) for the period, and any amount to be credited to him for the period in respect of expenditure; and
  - the negative amounts for those purposes are the following (as so defined) namely the gross loss (if any) so accruing, his licence debit (if any) for the period, and any amount to be debited to him for the period in respect of expenditure.
- (4) [<sup>F3</sup>For the purposes of the tax (including advance petroleum revenue tax)] the gross profit or loss (if any) accruing to the participator in the period is the difference (if any) between—
- the aggregate of the amounts mentioned in subsection (5) below; and

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- (b) one-half of the market value, [<sup>F4</sup>in the last calendar month] of the preceding chargeable period, of so much of his share of oil won from the field as he had [<sup>F4</sup>at the end of that period] either—
- (i) not disposed of and not relevantly appropriated; or
  - (ii) disposed of but not delivered,
- and the difference (if any) is a gross profit if the said aggregate is greater than one-half of the said market value, and is otherwise a gross loss.
- (5) [<sup>F5</sup>Subject to subsection (5A) below] the amounts referred to in subsection (4)(a) above are—
- (a) the price received or receivable for so much of any oil won from the field and disposed of by him crude in sales at arm's length as was delivered by him in the period (excluding oil delivered before 13th November 1974);
  - (b) the aggregate market value, ascertained in accordance with Schedule 3 to this Act, of so much of any oil so won and disposed of by him crude otherwise than in sales at arm's length as was delivered by him in the period (excluding oil delivered before 13th November 1974);
  - (c) the aggregate market value, ascertained in accordance with Schedule 3 to this Act, of so much of any oil so won as was relevantly appropriated by him in the period without being disposed of (excluding oil so appropriated before 13th November 1974); and
  - (d) one-half of the market value, [<sup>F4</sup>in the last calendar month] of the period, of so much of his share of oil so won as he had [<sup>F4</sup>at the end of that period] either—
    - (i) not disposed of and not relevantly appropriated; or
    - (ii) disposed of but not delivered [<sup>F6</sup>and]
  - [<sup>F7</sup>(e) the excess of the nominated proceeds for that period, as defined in section 61 of the Finance Act 1987].

[<sup>F8</sup>(5A) In any case where oil consisting of gas is disposed of in a sale at arm's length and the terms of the contract are such that the seller is required to transport the gas from a place on land in the United Kingdom for delivery at a place outside the United Kingdom or to meet some or all of the costs of or incidental to its transportation from and to such places then, for the purposes of this Part of this Act—

- (a) the price received or receivable for the gas shall be deemed to be that for which it would have been sold, and
- (b) the gas shall be deemed to be delivered at the time it would have been delivered,

if the terms of the contract required the gas to be delivered as mentioned in paragraph 2(2)(b) of Schedule 3 to this Act and did not require the seller to meet any such costs as are mentioned above.]

- (6) The participator's licence debit or credit (if any) for the period is the difference (if any) between—
- (a) the sum of the amounts mentioned in subsection (7) below; and
  - (b) the sum of—
    - (i) the amount taken into account under paragraph (a) of that subsection in computing his licence debit or credit for the preceding chargeable period; and
    - (ii) the amount of any royalty repaid to the participator in the period in respect of the field;

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and that difference (if any) is a licence debit if the sum mentioned in paragraph (a) above is greater than the sum mentioned in paragraph (b) above, and is otherwise a licence credit.

- (7) The amounts referred to in subsection (6)(a) above are—
- (a) the amount shown in the return for the period made under paragraph 2 of Schedule 2 to this Act as the amount of royalty payable for the period in respect of the participator's share of oil won from the field;
  - (b) the amount of royalty paid in the period in respect of that share; and
  - (c) any amount paid in the period in respect of any periodic payment payable to the Secretary of State under any relevant licence otherwise than by way of royalty.
- (8) The amount (if any) to be debited or credited to the participator for the period in respect of expenditure is the difference (if any) between—
- (a) the sum of the amounts mentioned in subsection (9) below; and
  - (b) subject to subsection (10) below, any amount taken into account under paragraph (a) of the said subsection (9) in computing the assessable profit or allowable loss accruing to the participator in the last but one preceding chargeable period;

and that difference (if any) is an amount to be debited as aforesaid if the sum mentioned in paragraph (a) above is greater than the amount mentioned in paragraph (b) above, and is otherwise an amount to be credited as aforesaid.

- (9) The amounts referred to in subsection (8)(a) above are—
- (a) subject to subsection (11) below, an amount equal to 5 per cent. of the aggregate of—
    - (i) the sum of the amounts which, in the participator's return under paragraph 2 of Schedule 2 to this Act for the period, are, in the case of deliveries falling within sub-paragraph (2)(a) of that paragraph, stated to be the price received or receivable for the oil or, as the case may be, its market value [<sup>F9</sup>at the material time] in the calendar month in which the delivery was made; and
    - (ii) the sum of the amounts which, in that return, are, in the case of appropriations falling within sub-paragraph (2)(b) of that paragraph, stated to be the market value of the oil [<sup>F9</sup>at the material time] in the calendar month in which the appropriation was made;
  - (b) the participator's share, as determined on a claim under Schedule 5 to this Act, of the aggregate of—
    - (i) any expenditure allowable under section 3 or 4 of this Act for the field which has been allowed on such a claim before the Board have made an assessment to tax or a determination on or in relation to him for the period in respect of the field; and
    - (ii) an amount equal to [<sup>F10</sup>35 per cent.] of so much of that expenditure as has been so allowed on such a claim as qualifying for supplement under this sub-paragraph by virtue of subsection (5) of the said section 3,  
so far as that share has not been taken into account in any previous assessment to tax or determination;
  - (c) the aggregate of—

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- (i) any expenditure allowable in the case of the participator under section 3 or 4 of this Act which has, on a claim made by him under Schedule 6 to this Act, been allowed before the Board have made an assessment to tax or a determination on or in relation to him for the period in respect of the field; and
  - (ii) an amount equal to [<sup>F10</sup>35 per cent.] of so much of that expenditure as has been so allowed on such a claim as qualifying for supplement under this sub-paragraph by virtue of subsection (5) of the said section 3,
- so far as that expenditure and amount have not been taken into account in any previous assessment to tax or determination;
- (d) any abortive exploration expenditure allowable in the case of the participator under section 5 of this Act which on a claim made by him under Schedule 7 to this Act has been allowed under that Schedule before the Board have made an assessment to tax or a determination on or in relation to him for the period in respect of the field, so far as that expenditure has not been taken into account in any previous assessment to tax or determination; and
  - (e) any unrelievable field losses allowable in the case of the participator under section 6 of this Act which on a claim made by him under Schedule 8 to this Act have been allowed under that Schedule before the Board have made an assessment to tax or a determination on or in relation to him for the period in respect of the field, so far as those losses have not been taken into account in any previous assessment to tax or determination [<sup>F11</sup>; and]
  - [<sup>F12</sup>(f) any exploration and appraisal expenditure allowable in the case of the participator under section 5A of this Act which, on a claim made by him under Schedule 7 to this Act, has been allowed under that Schedule before the Board have made an assessment to tax or a determination on or in relation to him for the period in respect of the field, so far as that expenditure has not been taken into account in any previous assessment to tax or determination][<sup>F13</sup>; and]
  - [<sup>F14</sup>(g) any research expenditure allowable in the case of the participator under section 5B of this Act which, on a claim made by him under Schedule 7 to this Act, has been allowed under that Schedule before the Board have made an assessment to tax or a determination on or in relation to him for the period in respect of the field, so far as that expenditure has not been taken into account in any previous assessment to tax or determination.]
- (10) If, for the period, the expenditure falling within paragraph (b)(i) or (c)(i) of subsection (9) above includes an amount of expenditure (“the relevant amount”) incurred in the preceding chargeable period, then—
- (a) the amount which would otherwise be taken into account under subsection (8) (b) above for the first-mentioned period shall be increased by the smaller of the following amounts, namely the relevant amount and the amount (if any) taken into account under paragraph (a) of subsection (9) above in computing the assessable profit or allowable loss accruing to the participator in the preceding chargeable period; and
  - (b) the amount which would otherwise be taken into account under subsection (8) (b) above for the chargeable period following the first-mentioned chargeable period shall be reduced by an amount equal to that increase.
- (11) If, for the period, the expenditure falling within paragraph (b)(i) or (c)(i) of subsection (9) above includes an amount of expenditure incurred in the period, the amount mentioned in paragraph (a) of that subsection shall be reduced by that amount.

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### Textual Amendments

- F3** Words inserted by [Finance Act 1982 \(c. 39\), s. 139\(1\)\(6\)](#) and Sch. 19 para. 18 in respect to chargeable periods ending after 31 December 1982
- F4** Words substituted by [Finance Act 1987 \(c. 16\), s. 62\(2\)](#) for chargeable periods ending after 31 December 1986
- F5** Words inserted by [Finance Act 1982 \(c. 39\), s. 133\(1\)](#) with respect to chargeable periods ending after 31 December 1981
- F6** Word added by [Finance Act 1987 \(c. 16\), s. 61\(5\)](#)
- F7** [S. 2\(5\)\(e\)](#) added by [Finance Act 1987 \(c. 16\), s. 61\(5\)](#)
- F8** [S. 2\(5A\)](#) added by [Finance Act 1982 \(c. 39\), s. 133\(1\)](#) with respect to chargeable periods ending after 31 December 1981
- F9** Words repealed by [Finance Act 1987 \(c. 16\), ss. 62\(1\)\(a\), 72\(7\)](#) and Sch. 16 Part X for chargeable periods ending after 31 December 1986
- F10** Words substituted by [Finance \(No. 2\) Act 1979 \(c. 47\), s. 19\(1\)](#) in relation to expenditure under post-31 December 1978 contracts. See, however, s. 19(3) of that Act where a change order has been made under a continuing pre-1 January 1979 contract
- F11** “; and” added by [Finance Act 1983 \(c. 49\), s. 37\(2\)](#) and Sch. 8 Part II para. 1
- F12** [S. 2\(9\)\(f\)](#) added by [Finance Act 1983 \(c. 49\), s. 37\(2\)](#) and Sch. 8 Part II para. 1
- F13** “; and” added by [Finance Act 1987 \(c. 16\), s. 64\(2\)](#) and Sch. 13 Part II para. 1
- F14** [S. 2\(9\)\(g\)](#) added by [Finance Act 1987 \(c. 16\), s. 64\(2\)](#) and Sch. 13 Part II para. 1

### Modifications etc. (not altering text)

- C8** See also: [Finance \(No. 2\) Act 1979 \(c. 47\), s. 22](#) [Finance Act 1980 \(c. 48\), s. 108](#); [Finance Act 1981 \(c. 35\), ss. 118, 126](#); [Oil Taxation Act 1983 \(c. 56\), ss. 6, 7, 9, 12](#) and Schs. 2, 4
- C9** See [Finance Act 1982 \(c. 39\), s. 134\(3\)](#) where an election for alternative valuation of ethane applies and s. 140(2)(4) in regard to increase of gross profit by reference to royalties in kind for purposes of APRT; [Finance Act 1986 \(c. 41\), s. 109\(4\)](#) where an election for alternative valuation of light gases applies
- C10** See [Oil Taxation Act 1983 \(c. 56\), Sch. 1 para. 2](#) where expenditure incurred in respect of a remote associated asset
- C11** See [Finance Act 1987 \(c. 16\), s. 65\(4\)\(b\)](#)
- C12** See [Finance Act 1987 \(c. 16\), s. 65\(5\)](#)
- C13** See [Oil Taxation Act 1983 \(c. 56\), s. 3\(6\)](#) and Sch. 1 para. 2
- C14** See [Oil Taxation Act 1983 \(c. 56\), s. 7\(6\)](#) for reduction of supplement when there are disposal receipts in any chargeable period ending after 30 June 1982
- C15** See [Finance Act 1981 \(c. 35\), ss. 111–113](#), 115
- C16** See [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), s. 493](#)

## 3 Allowance of expenditure (other than expenditure on long-term assets and abortive exploration expenditure).

- (1) Subject to the provisions of this section and Schedules 4, 5 and 6 to this Act, the expenditure allowable under this section for any oil field is any expenditure (whether or not of a capital nature) which, not being expenditure to which section 4 of this Act applies, is incurred by a person at or before the time when he is a participator in the field to the extent [<sup>F15</sup>subject to subsection (7) below] that it is incurred for one or more of the following purposes, namely—
- (a) searching for oil anywhere within the area of the field as subsequently determined under Schedule 1 to this Act or not more than 5,000 metres beyond the boundary of that area;

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- (b) making to the Secretary of State any payment under or for the purpose of obtaining a relevant licence, not being a payment by way of royalty or other periodic payment;
  - (c) ascertaining (whether before or after the determination of the field under Schedule 1 to this Act) the extent or characteristics of any oil-bearing area wholly or partly included in the field, or what the reserves of oil of any such oil-bearing area are;
  - (d) winning oil from the field;
  - (e) measuring the quantity of oil won or to be won from the field;
  - (f) in the case of oil won from the field that was so won from strata in the sea bed and subsoil of either the territorial sea of the United Kingdom or a designated area, transporting it to the place where it is first landed in the United Kingdom [<sup>F16</sup>or to the place in the United Kingdom at which the seller in a sale at arm's length could reasonably be expected to deliver it or, if there is more than one place at which he could reasonably be expected to deliver it, the one nearest to the place of extraction];
  - (g) the initial treatment or initial storage of oil won from the field;
  - (h) disposing of any oil won from the field which is disposed of crude in sales at arm's length;
  - (i) closing down the field or any part of it, but only if and to the extent that the expenditure is incurred for the purposes of safety or the prevention of pollution.
- (2) Subject to the following provisions of this section and Schedules 4, 5 and 6 to this Act, where any amount is under subsection (2) of section [<sup>F17</sup>579] of the Taxes Act (statutory redundancy payments) allowable as a deduction in computing for any accounting period the profits or losses of the relevant trade carried on by a person who was in that period a participator in an oil field, or would be so allowable under that subsection if it were not otherwise so allowable, then that amount less the amount of the rebate recoverable (within the meaning of that subsection) shall be expenditure allowable under this section for that field.
- In this subsection “the relevant trade”, in relation to a participator in an oil field, means the separate trade which by virtue of subsection (1) of section [<sup>F18</sup>492 of the Taxes Act] consists of activities carried on by him that fall within paragraph (a) or (b) of that subsection or which would have so consisted if that subsection had additionally had effect as regards all past chargeable periods (within the meaning of the Taxes Acts).
- (3) Expenditure is not allowable under this section for any oil field if, or to the extent that, it has been allowed under Schedule 5 or 6 to this Act for any other oil field or has been allowed under Schedule 7 to this Act in connection with any oil field [<sup>F19</sup>but where expenditure allowable under section 5A [<sup>F20</sup>or section 5B] of this Act has been allowed on a claim under Schedule 7 to this Act, nothing in this subsection shall prevent a claim being made for an allowance under this section in respect of the same expenditure unless the person making the claim is the participator who made the claim under that Schedule].
- (4) The expenditure allowable under this section for any oil field does not include—
- (a) expenditure in respect of interest or any other pecuniary obligation incurred in obtaining a loan or any other form of credit; or



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- (b) the cost of acquiring any land or interest in land, other than the cost of making to the Secretary of State any payment falling within subsection (1)(b) above; or
- (c) the cost of acquiring or erecting any building or structure on land, except—
  - (i) a structure to be subsequently placed on the sea bed of either the territorial sea of the United Kingdom or a designated area; or
  - (ii) a building or structure used or to be used wholly in the process of winning oil from strata in or under land or of measuring the quantity of oil won or to be won from such strata; or
  - (iii) a building or structure used or to be used for initial treatment or initial storage of oil; or
  - [<sup>F21</sup>(iv) a building or structure used or to be used for transporting such oil as is mentioned in subsection (1)(f) above from the place where it is first landed in the United Kingdom to the place in the United Kingdom at which the seller in a sale at arm's length could reasonably be expected to deliver it or, if there is more than one place at which he could reasonably be expected to deliver it, the one nearest to the place of extraction; or]
- (d) any expenditure wholly or partly depending on or determined by reference to the quantity, value or proceeds of, or the profits from, oil won from the field; . . . <sup>F22</sup>
- (e) any payment made for the purpose of obtaining a direct or indirect interest in oil won or to be won from the field, other than a payment made to the Secretary of State; [<sup>F23</sup>or]
- [<sup>F24</sup>(f) any payment made in pursuance of a notice under paragraph 4 of Schedule 15 to the Finance Act 1973 (provisions supplementing the territorial extension of charge to tax under section 38 of that Act);]

but nothing in paragraph (e) above shall be taken to apply to a payment made by a participator in pursuance of a contract whereby expenditure incurred for any of the purposes mentioned in subsection (1) above is to be shared between that participator and any of the other participators in the field.

- (5) [<sup>F25</sup>Subject to subsection (5A) below] expenditure allowable under this section for an oil field qualifies for supplement under section 2(9)(b)(ii) or (c)(ii) of this Act if and to the extent that it is incurred for one or more of the following purposes, namely—
  - (a) bringing about the commencement of the winning of oil from the field or the commencement of the transporting of oil won from it to the United Kingdom;
  - (b) ascertaining (whether before or after the determination of the field under Schedule 1 to the Act) any of the matters mentioned in subsection (1)(c) above;
  - (c) carrying out works for, or acquiring an asset or an interest in an asset to be used for the purpose of, substantially improving the rate at which oil can be won or transported to the United Kingdom from the field, or preventing or substantially reducing a decline in that rate; or
  - (d) providing any installation for the initial treatment or initial storage of oil won from the field;

but expenditure incurred in hiring an asset shall not so qualify unless the asset is used in carrying out works for a purpose mentioned in paragraph (a), (b) or (c) above or works for the provision of any such installation as is mentioned in paragraph (d) above.

[<sup>F26</sup>(5A) Where expenditure incurred in relation to an asset is incurred—

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- (a) in part for one of the purposes specified in subsection (5) above (or for what would be one of those purposes if section 10(2) below were disregarded), and
- (b) in part for the purpose of enabling the asset to be used in a way giving rise to tariff receipts within the meaning of the Oil Taxation Act 1983,

then, to the extent that the expenditure is incurred for the purpose mentioned in paragraph (b) above, it shall be treated for the purposes of this Part of this Act as incurred for one of the purposes specified in subsection (5) above.]

- (6) For the purposes of subsections (1) and (5) above expenditure incurred partly for one or more of the purposes there mentioned and partly not shall [<sup>F25</sup>subject to subsection (7) below] be apportioned in such manner as is just and reasonable.

[<sup>F26</sup>(7) In any case where—

- (a) expenditure which is incurred by any person as mentioned in subsection (6) above is so incurred in connection with a long-term asset, and
- (b) the long-term asset gives rise to receipts which, for the purposes of the Oil Taxation Act 1983, are tariff receipts of that person attributable to the field for which any of that expenditure is so allowable,

then, so far as relates to that field, in making in accordance with subsection (6) above any apportionment for the purposes of either or both of subsections (1) and (5) above, the whole of the relevant expenditure shall be apportioned to one or more of the purposes mentioned in that subsection or, as the case may be, those subsections.

(8) In subsection (7) above—

- (a) “long-term asset” means an asset whose useful life continues after the end of the claim period for which a claim is first made for an allowance in respect of expenditure incurred in connection with the asset; and
- (b) “relevant expenditure” means that portion of the expenditure in connection with the asset which is reasonably attributable to the use of the asset which gives rise to the receipts referred to in subsection (7)(b) above.]

#### Textual Amendments

- F15** Words inserted by [Oil Taxation Act 1983 \(c. 56\), s. 5\(1\)\(a\)](#) with respect to expenditure incurred after 30 June 1982
- F16** Words inserted by [Finance \(No. 2\) Act 1979 \(c. 47\), s. 20\(1\)](#) in relation to expenditure claimed after 31 December 1978
- F17** Figure substituted by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), Sch. 29 para. 32](#)
- F18** Words substituted by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), Sch. 29 para. 32](#)
- F19** Words inserted by [Finance Act 1983 \(c. 49\), s. 37\(2\)](#) and Sch. 8 Part II para. 2
- F20** Words inserted by [Finance Act 1987 \(c. 16\), s. 64\(2\)](#) and Sch. 13 Part II para. 2
- F21** [S. 3\(4\)\(c\)\(iv\)](#) added by [Finance Act 1981 \(c. 35\), s. 119\(1\)](#) in relation to any expenditure claimed after 31 December 1978
- F22** Word repealed by [Finance Act 1984 \(c. 43\), ss. 124\(7\), 128\(6\)](#) and Sch. 23 Part XIV
- F23** Word added by [Finance Act 1984 \(c. 43\), s. 124\(7\)](#)
- F24** [S. 3\(4\)\(f\)](#) added by [Finance Act 1984 \(c. 43\), s. 124\(7\)](#)
- F25** Words inserted by [Oil Taxation Act 1983 \(c. 56\), s. 5](#) with respect to expenditure incurred after 30 June 1982
- F26** [S. 3\(5A\)\(7\)\(8\)](#) inserted by [Oil Taxation Act 1983 \(c. 56\), s. 5](#) with respect to expenditure incurred after 30 June 1982

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**Modifications etc. (not altering text)**

- C17 See Oil Taxation Act 1983 (c. 56), **Sch. 1 para. 3** and Sch. 4 para. 10
- C18 See Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), **s. 495**
- C19 See Oil Taxation Act 1983 (c. 56), **s. 3(6)**
- C20 See Finance Act 1980 (c. 48), **s. 106** and Sch. 17
- C21 See Finance Act 1980 (c. 48), **s. 109** regarding fractionation expenditure incurred after 31 December 1979

**4 Allowance of expenditure on long-term assets.**

- (1) Subject to subsection (13) below [<sup>F27</sup>and section 1 of the Oil Taxation Act 1983], this section applies to expenditure (whether or not of a capital nature) which is incurred by a person at or before the time when he is a participator in an oil field, being expenditure incurred in acquiring, bringing into existence, or enhancing the value of an asset which is to be or is subsequently used in connection with the field and [<sup>F28</sup>which, at the end of the first relevant claim period, is or is expected to be a long-term asset as defined in section 3(8) of the Oil Taxation Act 1983]:

Provided that this section shall not apply to expenditure incurred as aforesaid in any case where the Board consider that its application to that expenditure would have only a negligible effect on the total expenditure allowable under this Part of this Act for the field and so notify the responsible person.

- (2) The following provisions of this section are subject to Schedules 4, 5 and 6 to this Act.

(3) . . . . . [<sup>F29</sup>

- (5) Subject to the following provisions of this section, a proportion of the expenditure shall be allowable under this section on a claim for the first relevant claim period, and that proportion is . . . [<sup>F29</sup>the proportion which the time during which the asset has been used in [<sup>F28</sup>connection with the field] in the period between the incurring of the expenditure or the asset's first use in [<sup>F28</sup>connection with the field] (whichever is later) and the end of the first relevant claim period bears to the time between the incurring of the expenditure and the date when the asset's useful life is reasonably likely to end:

Provided that, where the asset was not used for any purpose in the period between the incurring of the expenditure and the asset's first use in connection with the field, the expenditure shall for the purposes of this subsection be treated as having been incurred on the date when the asset was first used in connection with the field.

(6) . . . . . [<sup>F29</sup>

- (7) [<sup>F28</sup>For each claim period subsequent to the first relevant claim period and] up to and including that in which use of the asset in connection with the field permanently ceases, the proportion of the expenditure allowable under this section for the relevant period shall be computed by applying the provisions of [<sup>F28</sup>subsection (5)] above with the omission of the words "on a claim" (wherever occurring) and the substitution of references to the relevant period for references to the first relevant claim period.

For the purposes of this subsection "the relevant period", in relation to a claim period, means the period consisting of that claim period and each earlier claim period back to and including that in which the expenditure was incurred.

- (8) If, as computed under subsection (7) above for any claim period, the proportion of the expenditure allowable for the relevant period exceeds the amount thereof which

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- (taking into account any previous adjustments made under the following subsection) has been allowed on claims made for earlier claim periods falling within the relevant period, the excess shall be allowable under this section on a claim for that claim period.
- (9) If, as computed under subsection (7) above for any claim period, the proportion of the expenditure allowable for the relevant period is exceeded by the amount thereof which (taking into account any previous adjustments made under this subsection) has been allowed on claims made for earlier claim periods falling within the relevant period, the total amount of expenditure allowable under this and the preceding section on a claim for the first-mentioned claim period shall be reduced by an amount equal to the excess.
- (10) Subsections (3) to (5) of section 3 of this Act shall apply for the purposes of this section as they apply for the purposes of that section; and where in accordance with subsection (9) above the total amount of the expenditure allowable under this and the preceding section on a claim for any claim period is reduced, the amount falling to be taken into account under section 2(9)(b)(ii) or (c)(ii) of this Act by reference to that expenditure shall be reduced by a proportion equal to the proportion by which the total amount of that expenditure is so reduced.
- (11) For the purposes of [<sup>F28</sup>subsection (5) above (including that subsection as it applies] under subsection (7) above) an asset which is throughout any period of time simultaneously used partly in connection with the field and partly otherwise shall be treated as being used in connection with the field for a proportion of that period equal to the proportion which the extent of its use in the period in that connection bears to the extent of its use in the period in that connection and otherwise.
- (12) For the purposes of this section—
- (a) the asset is a brought-in asset if, between the time when it was acquired or brought into existence and its first use in connection with the field, the asset was used otherwise than in connection with the field; and
  - (b) “the first relevant claim period”—
    - (i) in the case of expenditure incurred in acquiring or bringing into existence a brought-in asset, means the claim period in which the asset was first used in connection with the field; and
    - (ii) in the case of any other expenditure, means the claim period in which the expenditure was incurred.
- (13) The preceding provisions of this section, and any other provisions in this Part of this Act as to which it is provided that this subsection applies, shall, with any necessary modifications, apply in relation to expenditure incurred by a person in acquiring an interest in an asset, or in bringing into existence an asset in which he is to have an interest, or in enhancing the value of an asset in which he has an interest, as the provisions in question apply in relation to expenditure incurred by a person in acquiring, bringing into existence, or enhancing the value of an asset, as the case may be.

#### Textual Amendments

- F27** Words inserted by [Oil Taxation Act 1983 \(c. 56\), s. 1](#) in relation to expenditure incurred after 30 June 1982 on non-dedicated mobile assets
- F28** Words substituted by [Oil Taxation Act 1983 \(c. 56\), s. 1](#) in relation to expenditure incurred after 30 June 1982 on non-dedicated mobile assets
- F29** [S. 4\(3\)\(4\)\(5\)\(a\) “\(b\)”](#) and words and (6) repealed by [Oil Taxation Act 1983 \(c. 56\), s. 1](#) in relation to expenditure incurred after 30 June 1982 on non-dedicated mobile assets

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#### **Modifications etc. (not altering text)**

- C22** See Oil Taxation Act 1983 (c. 56), **ss. 1–4** in relation to expenditure incurred after 30 June 1982 on long-term assets and s. 13(1)(b) and Sch. 5 of that Act for transitional provisions relating to expenditure incurred in a claim period beginning before and ending after 1 July 1982 but not later than 31 December 1983
- C23** S. 4 modified (3.5.1994) by 1994 c. 9, **ss. 231, 234, Sch. 22 Pt. II para. 12**  
S. 4 restricted (27.7.1999 with application as mentioned) by 1999 c. 16, **s. 95(2)(9)(10)**
- C24** See Finance Act 1980 (c. 48), **s. 106** and Sch. 17
- C25** See Finance Act 1980 (c. 48), **s. 109(10)** as regards fractionation expenditure referable to use after 31 December 1979
- C26** See Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), **s. 495**

## **5 Allowance of abortive exploration expenditure.**

(1) Subject to the following provisions of this section and Schedule 7 to this Act, the abortive exploration expenditure allowable in the case of a person who is a participator in an oil field is any expenditure (whether or not of a capital nature) incurred on or after 1st January 1960 [<sup>F30</sup>and before 16th March 1983] which—

- (a) was incurred by that person or, if that person is a company, by that company or a company associated with it in respect of the expenditure; and
- (b) was incurred wholly and exclusively for the purpose of searching for oil in the United Kingdom, the territorial sea thereof or a designated area; and
- (c) is not, and is unlikely to become, allowable under section 3 or 4 of this Act for any oil field,

but so that any expenditure to which subsection (2) below applies shall not be allowable under this section except to the extent that it falls by virtue of that subsection to be treated as incurred wholly and exclusively for the purpose mentioned in paragraph (b) above.

(2) Where any person has incurred expenditure in acquiring, bringing into existence, or enhancing the value of an asset which is subsequently used by him for the purpose mentioned in paragraph (b) of subsection (1) above, then—

- (a) subject to paragraph (b) below, if the useful life of the asset continues after the end of the twelve months beginning with the day on which he acquired the asset or brought it into existence, he shall be treated for the purposes of that subsection as having incurred wholly and exclusively for that purpose a fraction of that expenditure on each day after the expenditure was incurred on which the asset is used by him wholly and exclusively for that purpose, and that fraction is the fraction of which the numerator is 1 and the denominator is the number of days in the period beginning with the day on which he incurred that expenditure and ending with the day on which the asset's useful life is reasonably likely to end;
- (b) if a subsequent disposal of the asset by that person otherwise than to a person connected with him gives rise to the receipt of a sum that falls to be taken into account under subsection (6) below, being a sum not less than the price which the asset might reasonably have been expected to fetch if sold in the open market at the time of the disposal, paragraph (a) above shall apply with the substitution, for the reference to the day on which the asset's useful life is reasonably likely to end, of a reference to the day on which the disposal was made.

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Section 4(13) of this Act applies to the preceding provisions of this subsection.

- (3) Expenditure is not allowable under this section in connection with an oil field if, or to the extent that, it has been allowed under Schedule 7 to this Act in connection with any oil field.
- (4) Subsection (4) of section 3 of this Act shall apply for the purposes of this section with the following modifications, that is to say—
  - (a) in paragraph (c) the words from “except” to the end of sub-paragraph (iii) shall be omitted;
  - (b) paragraph (d) shall be omitted;
  - (c) in paragraph (e), the reference to oil won or to be won from the field shall be read as a reference to oil won or to be won from any area whatsoever.
- (5) Paragraph 2 of Schedule 4 to this Act shall, . . . <sup>F31</sup>, apply in relation to this section as it applies in relation to sections 3 and 4 of this Act.
- (6) Where any expenditure which would otherwise be allowable under this section gives rise to the receipt of any sum (whether or not of a capital nature) by the person who incurred the expenditure or any person connected with him, that expenditure shall for the purposes of this section be reduced by an amount equal to that sum.
- (7) For the purposes of this section—
  - (a) “company” means any body corporate;
  - (b) section [<sup>F32</sup>839] of the Taxes Act (connected persons) shall apply; and
  - (c) a company which is a participator in an oil field is associated with another company in respect of expenditure incurred by the other company if—
    - (i) throughout that part of the relevant period in which both were in existence one was a 51 per cent. subsidiary of the other and the other was not a 51 per cent. subsidiary of any company; or
    - (ii) each of them was, throughout that part of the relevant period in which it was in existence, a 51 per cent. subsidiary of a third company which was not itself a 51 per cent. subsidiary of any company.
- (8) For the purposes of subsection (7)(c) above—
  - (a) “the relevant period” is the period beginning immediately before the expenditure was incurred and ending with the end of whichever of the following periods ends later, that is to say—
    - (i) the earliest chargeable period in which the company which is a participator in the oil field in question was a participator in that field; and
    - (ii) the chargeable period (for that field) in which the expenditure was incurred,
 (or, if they are the same period, with the end of that period); and
  - (b) section [<sup>F32</sup>838] of the Taxes Act (subsidiaries) shall apply.

#### Textual Amendments

**F30** Words inserted by [Finance Act 1983 \(c. 49\), s. 37\(2\)](#) and Sch. 8 Part II para. 3

**F31** Words repealed by [Finance Act 1980 \(c. 48\), s. 122](#) and Sch. 20 Part XIII

**F32** Figure substituted by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), [Sch. 29 para. 32](#)

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**Modifications etc. (not altering text)**

**C27** See Finance Act 1980 (c. 48), s. 106 and Sch. 17

**C28** See Finance Act 1984 (c. 43), s. 113

**C29** See Oil Taxation Act 1983 (c. 56), s. 3(6)

**C30** See Finance Act 1983 (c. 49), s. 37(3) and Sch. 8 Part III with respect to sums received after 15 March 1983

**[<sup>F33</sup>5A Allowance of exploration and appraisal expenditure.**

(1) The exploration and appraisal expenditure which, subject to the provisions of this section and Schedule 7 to this Act, is allowable in the case of a person who is a participator in an oil field is any expenditure (whether or not of a capital nature) which—

- (a) is incurred after 15th March 1983 by that person or, if that person is a company, by that company or a company associated with it in respect of the expenditure; and
- (b) is so incurred wholly and exclusively for one or more of the purposes specified in subsection (2) below; and
- (c) at the time it is so incurred, does not relate to a field for which a development decision has previously been made.

(2) The purposes referred to in subsection (1) above are—

- (a) the purpose of searching for oil in [<sup>F34</sup>the territorial sea of the United Kingdom] or a designated area;
- (b) the purpose of ascertaining the extent or characteristics of any oil-bearing area in [<sup>F34</sup>the territorial sea of the United Kingdom] or a designated area;
- (c) the purpose of ascertaining what are the reserves of oil of any such oil-bearing area; and
- (d) subject to subsection (3) below, the purpose of making to the Secretary of State any payment under or for the purpose of obtaining a licence (not being a payment by way of royalty or other periodic payment).

[ Any reference in subsection (2) above to a designated area does not include a <sup>F35</sup>(2A) sector which, by virtue of subsection (3)(b) of section 107 of the Finance Act 1980 (transmedian fields), is deemed to be a designated area.]

(3) Expenditure incurred for the purpose mentioned in subsection (2)(d) above is not allowable under this section unless, at the time the allowance is claimed,—

- (a) the licence to which the expenditure related has expired or has been determined or revoked; or
- (b) part of the licensed area has been surrendered;

and where paragraph (b) above applies only that proportion of the expenditure which corresponds to the proportion of the licensed area which has been surrendered is expenditure falling within subsection (1) above.

(4) Subject to subsection (5) below, subsections (2) and (4) to (8) of section 5 of this Act apply for the purposes of this section as they apply for the purposes of that section.

(5) In the application for the purposes of this section of the provisions of section 5 of this Act referred to in subsection (4) above,—

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- (a) any reference in subsection (2) of section 5 to the purpose mentioned in subsection (1)(b) of that section shall be construed as a reference to any of the purposes specified in subsection (2) of this section;
  - (b) the reference in subsection (2)(a) of section 5 to subsection (1) of that section shall be construed as a reference to subsection (1) of this section; and
  - (c) the reference in subsection (6) of section 5 to a sum received—
    - [ includes a reference to a sum received, or treated by virtue of <sup>F36</sup>(i) subsection (5A) below as received, from the disposal of oil won in the course of operations carried out for any of the purposes in paragraphs (a) to (c) of subsection (2) of this section; but
    - (ii) does not include a reference to a sum received for the assignment of any of the rights conferred by a licence or of any interest in a licensed area.]
- [ Subsection (5B) below applies in any case where—
- <sup>F37</sup>(5A) (a) oil which is won as mentioned in paragraph (c)(i) of subsection (5) above is either disposed of otherwise than in sales at arm's length or appropriated to refining or to any use except for production purposes of an oil field, and
- (b) if that oil had been disposed of in a sale at arm's length, then, by virtue of section 5(6) of this Act as applied by subsection (5) above, certain expenditure would have been reduced by reference to the receipt of a sum from that disposal.
- (5B) Where this subsection applies, the oil concerned shall be treated for the purposes of subsection (5)(c)(i) above and section 5(6) of this Act as having been disposed of for a sum equal to its market value [<sup>F38</sup>at the material time] in the calendar month in which it was disposed of or appropriated as mentioned in subsection (5A)(a) above and, accordingly, for those purposes—
- (a) a sum equal to that market value shall be treated as having been received from that disposal; and
  - (b) no account shall be taken of any sum actually received from the disposal of any of that oil.
- (5C) In the application of Schedule 3 to this Act for the purpose of ascertaining the market value of oil as mentioned in subsection (5B) above,—
- (a) in paragraph 2, in paragraph [<sup>F39</sup>(f)] of sub-paragraph (2) for the words from the beginning to “paragraph in question” there shall be substituted “the contract is for the sale of the whole quantity of oil whose market value falls to be ascertained for the purposes of section 5A(5B) of this Act”;
  - (b) sub-paragraphs (3) and (4) of paragraph 2 shall be omitted; and
  - (c) 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 subsection (5A)(a) above.]
- (6) Expenditure is not allowable under this section in connection with an oil field if, or to the extent that, it has been allowed under Schedule 5, Schedule 6 or Schedule 7 to this Act in connection with any oil field.
- (7) For the purposes of subsection (1)(c) above, a development decision is made when—
- (a) consent for development is granted to a licensee by the Secretary of State in respect of the whole or part of an oil field; or



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- (b) a programme of development is served on a licensee or approved by the Secretary of State for the whole or part of an oil field;
- and subsections (4) and (5) of section 36 of the Finance Act 1983 (meaning of development etc.) apply in relation to this subsection as they apply in relation to subsections (2) and (3) of that section.
- (8) If, at the time when it is incurred, expenditure relates to an area—
- (a) which is not then an oil field, but
- (b) in respect of which notice of a proposed determination has previously been given under paragraph 2(a) of Schedule 1 to this Act,
- that area shall be treated for the purposes of this section as having become an oil field at the time the notice was given unless, when the actual determination is made, the area is not included in an oil field.]

#### Textual Amendments

- F33** S. 5A added by Finance Act 1983 (c. 49), s. 37(1) and Sch. 8 Part I
- F34** Words substituted by Finance Act 1985 (c. 54), s. 90(2) with respect to expenditure incurred on or after 1 April 1986
- F35** S. 5A(2A) added by Finance Act 1985 (c. 54), s. 90 with respect to expenditure incurred on or after 19 March 1985
- F36** S. 5A(5)(c)(i)(ii) substituted by Finance Act 1985 (c. 54), s. 90 with respect to expenditure incurred on or after 19 March 1985
- F37** S. 5A(5A)–(5C) added by Finance Act 1985 (c. 54), s. 90 with respect to expenditure incurred on or after 19 March 1985
- F38** Words repealed by Finance Act 1987 (c. 16), ss. 62(1)(b), 72(7) and Sch. 16 Part X for chargeable periods ending after 31 December 1986
- F39** “(f)” substituted by Finance Act 1987 (c. 16), s. 62(3) and Sch. 11 para. 4 for chargeable periods ending after 31 December 1986

#### Modifications etc. (not altering text)

- C31** See Finance Act 1984 (c. 43), s. 113
- C32** Also for the purposes of Oil Taxation Act 1983 (c. 56), s. 8(3) and Sch. 1 para. 6(1)

### [<sup>F40</sup>5B Allowance of research expenditure.

- (1) Subject to the following provisions of this section and Schedule 7 to this Act, the research expenditure which is allowable in the case of a person who is a participator in an oil field is any expenditure (whether or not of a capital nature) which—
- (a) is incurred by him on or after 17th March 1987; and
- (b) at the expiry of the period of three years from the time at which it was incurred, has not become allowable under section 3 or section 4 of this Act or section 3 of the Oil Taxation Act 1983; and
- (c) was not incurred for purposes relating to a particular oil field; and
- (d) was not incurred wholly and exclusively for one or more of the purposes which, subject to subsection (2) below, are specified in section 5A(2) of this Act; and
- (e) was incurred for the purpose of research of such a description that, if it had been incurred by the participator in relation to a particular field, it would have

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- been allowable for that field under section 3 or section 4 of this Act or section 3 of the Oil Taxation Act 1983; and
- (f) was incurred wholly or partly for United Kingdom purposes.
- (2) For the purposes only of subsection (1)(d) above, any reference in section 5A(2) of this Act to the territorial sea of the United Kingdom shall be taken to include a reference to the United Kingdom itself.
- (3) Where expenditure falling within paragraphs (a) to (e) of subsection (1) above is incurred partly for United Kingdom purposes and partly for other purposes, only such part of the expenditure as it is just and reasonable to apportion to United Kingdom purposes shall be allowable by virtue of this section.
- (4) In subsections (1)(f) and (3) above, “United Kingdom purposes” means purposes relating to the United Kingdom, the territorial sea thereof or designated areas, excluding any sector which, by virtue of subsection (3)(b) of section 107 of the Finance Act 1980 (transmedian fields), is deemed to be a designated area.
- (5) Expenditure is not allowable under this section if, or to the extent that, it has been allowed under Schedule 5, Schedule 6 or Schedule 7 to this Act for or in connection with an oil field.
- (6) To the extent that it is reasonable to assume that expenditure which, apart from this subsection, would be allowable under this section has been incurred for purposes relating to excluded oil, within the meaning of section 10(1) of this Act, that expenditure is not allowable under this section.
- (7) Subject to subsection (3) above, subsections (2) and (6) of section 5 of this Act apply for the purposes of this section as they apply for the purposes of that section except that—
- (a) any reference in subsection (2) of section 5 to the purpose mentioned in subsection (1)(b) of that section shall be construed as a reference to the purpose referred to in subsection (1)(e) of this section;
  - (b) the reference in paragraph (a) of subsection (2) to subsection (1) of that section shall be construed as a reference to subsection (1) of this section; and
  - (c) where any expenditure falls to be apportioned under subsection (3) of this section, any receipt to which it gives rise shall be similarly apportioned in the application of subsection (6) of section 5.
- (8) Paragraph 2 of Schedule 4 to this Act applies in relation to this section as it applies in relation to sections 3 and 4 of this Act.]

#### Textual Amendments

**F40** S. 5B added by [Finance Act 1987 \(c. 16\), s. 64\(1\)](#) and Sch. 13 Part I

## 6 Allowance of unrelievable loss from abandoned field.

- (1) Subject to Schedule 8 to this Act, the following is, in the case of a participator in an oil field, an allowable unrelievable field loss, that is to say so much of any allowable loss which, in the case of any other oil field being a field from which the winning of oil has permanently ceased, has in any chargeable period accrued therefrom to the participator or, if the participator is a company, to a company associated with it in respect of

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that loss as cannot under the provisions of section 7 of this Act be relieved against assessable profits accruing from that other field to the participator or the company so associated with the participator.

- (2) In determining for the purposes of this section whether an allowable loss has accrued as mentioned in subsection (1) above from an oil field from which the winning of oil permanently ceased before the total amount of oil ever won and saved from it reached the amount by reference to which the critical half year is defined in section 1(4) of this Act, the first chargeable period for that field shall be taken to have been the period ending at the end of the half year in which the winning of oil from the field so ceased (including an unlimited time prior to the beginning of that half year).

In this subsection “half year” has the same meaning as in section 1 of this Act.

- (3) For the purposes of this section—
- (a) “company” means any body corporate; and
  - (b) a company which is a participator in an oil field is associated with another company in respect of an allowable loss which accrued to that other company in a chargeable period from another oil field if—
    - (i) throughout that part of the relevant period in which both were in existence one was a 51 per cent. subsidiary of the other and the other was not a 51 per cent. subsidiary of any company; or
    - (ii) each of them was, throughout that part of the relevant period in which it was in existence, a 51 per cent. subsidiary of a third company which was not itself a 51 per cent. subsidiary of any company;and in this section and Schedule 8 to this Act any reference to the winning of oil from an oil field permanently ceasing includes a reference to the permanent cessation of operations for the winning of oil from the field.
- (4) For the purposes of subsection (3)(b) above—
- (a) the relevant period is the period beginning with the chargeable period in which the allowable loss accrued to the other company referred to in that paragraph and ending with the end of whichever of the following period ends later, that is to say—
    - (i) the earliest chargeable period in which the company which is a participator in the oil field in question was a participator in that field; and
    - (ii) the chargeable period in which the allowable loss accrued,(or, if they are the same period, with the end of that period); and
  - (b) section [F41838] of the Taxes Act (subsidiaries) shall apply.

#### Textual Amendments

**F41** Figure substituted by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), [Sch. 29 para. 32](#)

#### Modifications etc. (not altering text)

**C33** See [Finance Act 1984 \(c. 43\)](#), [s. 113](#)

**C34** See [Finance Act 1982 \(c. 39\)](#), [s. 139\(6\)](#) and [Sch. 19 para. 17\(4\)](#)

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## 7 Relief for allowable losses.

- (1) Where the Board have determined under Schedule 2 to this Act that an allowable loss has accrued to a participator in a chargeable period from an oil field, then, subject to the following provisions of this section, the assessable profit accruing to him from the field in any succeeding chargeable period shall be treated as reduced by the amount of that allowable loss, or by so much of that amount as cannot, under this subsection or on a claim (if made) under subsection (2) below, be relieved against the assessable profit accruing to him from the field in any earlier chargeable period.
- (2) Where the Board have determined under Schedule 2 to this Act that an allowable loss has accrued to a participator in a chargeable period from an oil field, the participator may make a claim requiring that the loss be in the first instance set against any assessable profit which accrued to him from the field in any preceding chargeable period; and the assessable profit which so accrued to him in any such period shall then be treated as reduced by the amount of the loss, or by so much of that amount as cannot be relieved under this subsection against any assessable profit accruing to him from the field in a later chargeable period.
- (3) Where—
  - (a) the Board have determined under Schedule 2 to this Act that an allowable loss has accrued to a participator in a chargeable period from an oil field; and
  - (b) the winning of oil from that field has permanently ceased,
 then so much of that allowable loss as cannot under subsection (1) or (2) above be relieved against assessable profits accruing to the participator from the field shall be relieved under this subsection by treating the assessable profit accruing to him from the field in any chargeable period as reduced by the amount of the loss, or by so much of that amount as cannot be relieved under this section against the assessable profit so accruing to him in a later chargeable period.

### Modifications etc. (not altering text)

- C35** See [Finance Act 1980 \(c. 48\), s. 106](#) and Sch. 17 para. 15; [Finance Act 1981 \(c. 35\), s. 117](#)  
**C36** See [Finance Act 1980 \(c. 48\), s. 106](#) and Sch. 17 paras. 14, 15

## 8 Oil allowance.

- (1) Subject to the provisions of this section and paragraphs 10 and 11 of Schedule 3 to this Act, where a participator in an oil field would, apart from this section and section 9 of this Act, be chargeable to tax for any chargeable period on an amount (“the said amount”) consisting of the assessable profit accruing to him in the period from the field or that profit as reduced under section 7 of this Act by any allowable losses, then for the purpose of determining his liability, if any, to tax for that period, the said amount shall be treated as reduced or further reduced as follows, that is to say—
  - (a) if the said amount exceeds the cash equivalent of his share of the oil allowance for the field for that period, to an amount equal to the excess; or
  - (b) if the said amount does not exceed the cash equivalent of his share of that allowance, to nil.
- (2) The oil allowance for an oil field is, for each chargeable period, [<sup>F42</sup>250,000 metric tonnes], and shall be divided between the participators in shares proportionate to their shares of the oil won and saved from the field during the period.

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- (3) For the purposes of this section the cash equivalent of a participator's share of the oil allowance for an oil field for a chargeable period is (subject to subsection (4) below) the amount given by the formula:—

$$£ \left( A \times \frac{B}{C} \right)$$

where—

A is the gross profit accruing to him in the period or, if a gross loss (or neither a gross profit nor a gross loss) accrues to him in the period, nil (in which case the cash equivalent itself will be nil);

B is his share of the allowance, in [<sup>F42</sup>metric tonnes]; and

C is his share, exclusive of excluded oil within the meaning of section 10 of this Act, of the oil won and saved from the field during the period, in [<sup>F42</sup>metric tonnes].

- (4) If a participator in an oil field so elects by notice in writing given to the Board at the time when he makes his return under paragraph 2 of Schedule 2 to this Act for a chargeable period, then the cash equivalent of his share of the oil allowance for the field for that period shall be determined under subsection (3) above—
- (a) to the extent that his share of that oil allowance does not exceed his share of the oil (other than gas) won and saved from the field in the period, as if in computing the gross profit or gross loss accruing to him in the period all amounts relating to gas fell to be disregarded; and
  - (b) to the extent, if any, that his share of that oil allowance exceeds his share of the oil (other than gas) so won and saved, as if in computing the gross profit or gross loss so accruing all amounts relating to oil other than gas fell to be disregarded.
- (5) For the purposes of this section the amount of the oil allowance for an oil field utilised by a participator in any chargeable period is—
- (a) if in his case a reduction is made for that period under subsection (1)(a) above, an amount in [<sup>F42</sup>metric tonnes] equal to his share of the oil allowance for the field for that period;
  - (b) if in his case a reduction is made for that period under subsection (1)(b) above, the amount in [<sup>F42</sup>metric tonnes] arrived at by multiplying his share of the oil allowance for the field for that period (in [<sup>F42</sup>metric tonnes]) by the fraction of which the numerator is the amount of that reduction and the denominator is the cash equivalent of his share of the said oil allowance;
  - (c) in any other case, nil.
- (6) The total oil allowance for an oil field shall not exceed [<sup>F42</sup>5 million metric tonnes], and accordingly—
- (a) for each chargeable period there shall be determined the aggregate of the amounts of the oil allowance for the field utilised by the participators in that period; and

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- (b) as regards the earliest chargeable period such that the sum of the aggregate determined under paragraph (a) above for that period and the aggregates so determined for each earlier chargeable period would, apart from this subsection, exceed [<sup>F425</sup> million metric tonnes], the necessary restriction shall be apportioned between the participators in such manner as may be notified to the Board by the responsible person or, in default of such notification, as may be determined by the Board.

In this subsection “the necessary restriction” means the restriction necessary to secure that the aggregate determined under paragraph (a) above for the chargeable period to which paragraph (b) above applies will, when added to the sum of the aggregates so determined for each earlier chargeable period, produce a total of [<sup>F425</sup> million metric tonnes].

- (7) For the purposes of this section [<sup>F421</sup>1,100 cubic metres] of oil consisting of gas at the temperature and pressure mentioned in section 1(4) of this Act shall be counted as equivalent to one [<sup>F42</sup>metric tonne] of oil other than gas.
- (8) Any reduction to be made under subsection (1) above shall be made before applying the provisions of section 9 of this Act.

#### Textual Amendments

- F42** Words substituted by Finance (No. 2) Act 1979 (c. 47), s. 21(1) in relation to chargeable periods and half years ending after 31 December 1978

#### Modifications etc. (not altering text)

- C37** See Oil Taxation Act 1983 (c. 56), Sch. 4 para. 9(2)  
**C38** See also Finance Act 1980 (c. 48), s. 106 and Sch. 17 para. 17  
**C39** See Finance Act 1983 (c. 49), s. 36; Finance Act 1988 (c. 39, SIF 63:1,2), s. 138(1)  
**C40** See Finance Act 1987 (c. 16), s. 66(5)(a)

#### <sup>F439</sup> [<sup>F44</sup>Limit on amount of tax payable].

- (1) The tax payable by a participator in an oil field for any chargeable period to which this subsection applies shall not exceed 80 per cent. of the amount (if any) by which his adjusted profit for that period (as defined in this section) exceeds 15 per cent. of his accumulated capital expenditure at the end of that period (as so defined).
- (1A) Subsection (1) above applies to—
- (a) any chargeable period from the first chargeable period up to and including the period which is the participator’s net profit period for the field for the purposes of section 111 of the Finance Act 1981 or where section 113 of that Act applies, up to and including the earlier of the periods mentioned in subsection (2) of that section; and
- (b) any subsequent chargeable period up to such number of periods as is equal to half the number of chargeable periods [<sup>F45</sup>which are included in paragraph (a) above and in which the amount of oil won and saved from the field exceeds 1,000 metric tonnes] (counting any resulting fraction of a period as a whole period)

[<sup>F46</sup>and for the purposes of paragraph (b) above 1,100 cubic metres of gas at a temperature of 15 degrees centigrade and pressure of one atmosphere shall be counted as equivalent to one metric tonne].

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- (2) The adjusted profit of a participator in an oil field for any chargeable period shall be determined as follows—
- (a) there shall be ascertained—
    - (i) the assessable profit (without any reduction under section 7 or 8 of this Act) or allowable loss accruing to him in that period; and
    - (ii) the total amount taken into account under section 2(9)(b), (c), (d) [F47, (e) [F48(f) and (g)]] of this Act in computing that profit or loss, excluding expenditure so taken into account under section 2(9)(b)(i) or (c)(i) which was not allowed as qualifying for supplement under section 2(9)(b)(ii) or (c)(ii);
  - (b) if there is a profit under paragraph (a)(i) above, the sum of that profit and the total ascertained under paragraph (a)(ii) above is his adjusted profit for the period;
  - (c) if there is a loss under paragraph (a)(i) above smaller than the total ascertained under paragraph (a)(ii) above, the difference is his adjusted profit for the period.
- (3) The accumulated capital expenditure of a participator in an oil field at the end of any chargeable period is the total amount of expenditure taken into account under section 2(9)(b)(i) and (c)(i) of this Act in computing the assessable profit or allowable loss accruing to him in that period and all earlier chargeable periods excluding all expenditure so taken into account which was not allowed as qualifying for supplement under section 2(9)(b)(ii) or (c)(ii).
- (4) Where a participator has made an election under paragraph 9(1) of Schedule 3 to this Act the amount of any reduction by virtue of this section in the tax payable by him for any chargeable period shall not be greater than it would have been if he had not made any such election and for the purposes of subsection (3) above his accumulated capital expenditure at the end of any chargeable period shall be taken to be what it would have been if he had made no such election.]

#### Textual Amendments

- F43** S. 9 substituted by [Finance Act 1981 \(c. 35\), s. 114\(1\)](#) with effect whether the participator's net profit period ends before or after the passing of that Act
- F44** Wording amended without statutory authority to reflect the sense of the revised s. 9
- F45** Words substituted by [Finance Act 1985 \(c. 54\), s. 91\(1\)](#) with respect to any oil field in respect of which the first chargeable period ends after 30 June 1985
- F46** Words added by [Finance Act 1985 \(c. 54\), s. 91\(1\)](#) with respect to any oil field in respect of which the first chargeable period ends after 30 June 1985
- F47** Words substituted by [Finance Act 1983 \(c. 49\), s. 37\(2\)](#) and Sch. 8 Part II para. 4
- F48** Words substituted by [Finance Act 1987 \(c. 16\), s. 64\(2\)](#) and Sch. 13 Part II para. 3

#### Modifications etc. (not altering text)

- C41** See [Finance Act 1980 \(c. 48\), s. 106](#) and Sch. 17 para. 18
- C42** See [Oil Taxation Act 1983 \(c. 56\), s. 7\(6\)\(b\)](#) for reduction of supplement when there are disposal receipts in any chargeable period ending after 30 June 1982
- C43** See [Finance Act 1987 \(c. 16\), ss. 64\(3\), 65\(6\)\(b\)](#), Sch. 13 para. 12(3) and Sch. 14 para. 13
- C44** See [Finance Act 1981 \(c. 35\), s. 117\(4\)](#)

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VALID FROM 28/07/2000

**[<sup>F49</sup>9A Operating expenditure incurred while section 9 applies.**

- (1) Subsections (2) and (3) below apply where—
  - (a) operating expenditure is incurred by a participator in an oil field during a chargeable period to which section 9(1) of this Act applies (“the relevant chargeable period”);
  - (b) a claim for the allowance of the expenditure is made under Schedule 5 or 6 for the claim period which coincides with the relevant chargeable period (“the relevant claim period”); and
  - (c) the claim is made more than four months after the end of the relevant claim period.
- (2) The Board shall not allow the expenditure except to such extent (if any) as they consider necessary to secure that the participator’s overall liability to tax is no greater than it would have been if the claim had been allowed before the Board had made an assessment to tax or a determination on or in relation to the participator in respect of the field for the relevant chargeable period.
- (3) Any amounts of oil allowance which, if the claim had been allowed before the Board had made an assessment to tax or a determination on or in relation to the participator in respect of the field for the relevant chargeable period, would not have been utilised by him in that period, or any subsequent chargeable period, shall be disregarded for the purposes of section 8(6) of this Act.
- (4) Where—
  - (a) the participator transfers the whole or part of his interest in the oil field to another person; and
  - (b) Parts II and III of Schedule 17 to the <sup>M3</sup>Finance Act 1980 apply to the transfer, subsections (2) and (3) above shall have effect as if references to the participator included references to that other person.
- (5) In this section—
 

“acquisition”, in relation to an asset, includes acquisition of an interest in the asset;

“capital expenditure” means expenditure on the acquisition or construction of an asset which is to be used for any of the following purposes—

  - (a) for ascertaining the extent or characteristics of any oil-bearing area wholly or partly included in the field, or what the reserves of oil of any such oil-bearing area are;
  - (b) for winning oil from the field;
  - (c) for transporting oil won from the field, whether to a place in the United Kingdom or to a place in another country; or
  - (d) for the initial treatment or initial storage of oil won from the field;

“operating expenditure” means any expenditure other than capital expenditure.
- (6) Where a claim period is a period of twelve months, this section shall have effect as if—



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- (a) that period were two separate claim periods of six months each;
- (b) any claim for that period under Schedule 5 or 6 were two separate claims, one for each of those separate periods; and
- (c) the operating expenditure to which that claim relates were apportioned between those separate periods and those separate claims in such manner as may be just and reasonable.]

#### Textual Amendments

**F49** S. 9A inserted (28.7.2000 with effect in relation to expenditure incurred on or after 21.3.2000) by 2000 c. 17, s. 139(1)(2)

#### Marginal Citations

**M3** 1980 c. 48.

## 10 Modification of Part I in connection with certain gas sold to British Gas Corporation.

- (1) In computing under section 2 of this Act the gross profit or loss (if any) accruing to a participator in any chargeable period from an oil field—
  - (a) any oil consisting of gas sold to the British Gas Corporation under a contract made before the end of June 1975 shall be disregarded; and
  - (b) if at the end of that chargeable period the participator's share, exclusive of oil falling within paragraph (a) above or used for production purposes, of the total amount of oil ever won and saved from the field does not exceed 5 per cent. of his share of the total amount of oil so falling which was ever so won and saved, his share of the oil won and saved from the field but not so falling shall also be disregarded;and in the following provisions of this section any oil which falls to be disregarded under this subsection is referred to as "excluded oil".
- (2) Excluded oil shall be deemed not to be oil for the purposes of the following provisions of this Act, namely section 2(7) and (9), section 3 (except paragraphs (a) to (c) and (i) of subsection (1)) and section 4 (including, in the case of any expression used in any of those provisions which is defined elsewhere, its definition so far as it has effect for the purpose of that provision); and in computing under section 2 of this Act the licence debit or credit (if any) of a participator in an oil field for any chargeable period, any royalty repaid to him in the period in respect of excluded oil shall be disregarded.
- (3) If, in the case of any oil field, the oil won and saved therefrom or expected to be won and saved therefrom includes oil falling within subsection 1(a) above, then the expenditure allowable under section 3 of this Act for that field by virtue of paragraph (a), (b), (c) or (i) of section 3(1) of this Act shall be a proportion of what it would otherwise have been, and that proportion—
  - (a) in the case of expenditure which would otherwise have been allowable by virtue of the said paragraph (a), (b) or (c), is the proportion which, according to estimates submitted to the Secretary of State after the end of June 1975 and approved by him as reasonable, the field's original reserves of oil exclusive of oil so falling bear to the field's original reserves of oil inclusive of such oil;

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- (b) in the case of expenditure which would otherwise have been allowable by virtue of the said paragraph (i), is the proportion which, at the end of the claim period in which the expenditure was incurred, the total amount of oil ever won and saved from the field, exclusive of excluded oil, bears to the total amount of oil ever won and saved from the field;
- and until estimates have been submitted and approved for the purpose of paragraph (a) above, the expenditure allowable for the field under section 3 of this Act by virtue of the said paragraph (a), (b) or (c) shall be deemed to be nil.
- (4) A return made under paragraph 2 of Schedule 2 to this Act by a participator in an oil field need not, in the case of oil falling within subsection (1)(a) above, state the price received or receivable for the oil.
- (5) For the purposes of this section [<sup>F50</sup>1,100 cubic metres] of oil consisting of gas at the temperature and pressure mentioned in section 1(4) of this Act shall be counted as equivalent to one [<sup>F50</sup>metric tonne] of oil other than gas.

#### Textual Amendments

**F50** Words substituted by [Finance \(No. 2\) Act 1979 \(c. 47\), s. 21\(3\)](#) deemed to have taken effect on 1 January 1979

#### Modifications etc. (not altering text)

- C45** See [Finance Act 1980 \(c. 48\), s. 106](#) and Sch. 17 para. 9 relating to interests in oil fields transferred after 1 August 1980
- C46** [S. 10\(1\)\(a\)](#) modified (retrospectively) by [1999 c. 16, s. 94\(2\)](#)
- C47** See [Oil Taxation Act 1983 \(c. 56\), s. 4](#) and Sch. 1 para. 3
- C48** See [Oil Taxation Act 1983 \(c. 56\), ss. 3\(6\)](#) and 4

## 11 Application of Provisional Collection of Taxes Act 1968.

Section 1 of the <sup>M4</sup>Provisional Collection of Taxes Act 1968 shall apply to petroleum revenue tax ; and accordingly, in subsection (1) of that section after the words “income tax” there shall be inserted the words “ petroleum revenue tax ”.

#### Marginal Citations

**M4** [1968 c. 2.](#)

## 12 Interpretation of Part I.

(1) In this Part of this Act—

“calendar month” (where those words are used) [<sup>F51</sup>has] the meaning given by paragraph 3(2) of Schedule 3 to this Act;

“chargeable period”, in relation to an oil field, has the meaning given by section 1(3) of this Act;

“claim period”, in relation to an oil field, has the meaning given by paragraph 1 of Schedule 5 to this Act; “crude”, where the reference is to oil being disposed of or appropriated crude, refers to its being so dealt with without having been refined (whether or not it has previously undergone

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initial treatment); “determination”, in a context relating to an assessment or determination on or in relation to a participator, means a determination under Schedule 2 to this Act that a loss is allowable to him or that neither an assessable profit nor an allowable loss has accrued to him;

“initial storage”, in relation to oil won from an oil field, means the storage in the United Kingdom, the territorial sea thereof or a designated area of a quantity of oil won from the field not exceeding, in the case of storage in the United Kingdom, a quantity equal to ten times the maximum daily production rate of oil for the field as planned or achieved (whichever is the greater), but does not include—

- (a) the storing of oil as part of or in conjunction with the operation of an oil refinery; or
- (b) deballasting; or
- (c) conveying oil in a pipe-line;

“initial treatment”, in relation to oil won from an oil field, means the doing, at any place in the United Kingdom, the territorial sea thereof or a designated area, of any of the following things, that is to say—

- (a) subjecting oil won from the field to any process of which the sole purpose is to enable the oil to be safely stored, safely loaded into a tanker or safely accepted by an oil refinery; or
- [<sup>F52</sup>(b) separating oil so won and consisting of gas from other oil so won; or
- (c) separating oil so won and consisting of gas of a kind that is transported and sold in normal commercial practice from other oil so won and consisting of gas; or
- (d) liquifying oil so won and consisting of gas of such a kind as aforesaid for the purpose of transporting it; or
- (e) subjecting oil so won to any process of which the purpose is to secure that oil disposed of crude has the quality that is normal for oil so disposed of from the field,]

but does not include—

- (i) the storing of oil even where this involves the doing to the oil of things within [<sup>F53</sup>any of paragraphs (a) to (e) of this definition] or
- [<sup>F54</sup>(ii) any activity carried on as part of, or in association with, the refining of oil not consisting of gas or any activity the sole or main purpose of which is to achieve a chemical reaction in respect of oil consisting of gas; or]

- (iii) deballasting;

“land” includes land in the United Kingdom covered with water;

“licence” means a licence under the <sup>M5</sup>Petroleum (Production) Act 1934 or the <sup>M6</sup>Petroleum (Production) Act (Northern Ireland) 1964 authorising the winning of oil, and “licensed area” shall be construed accordingly;

“licensee” means—

- (a) the person entitled to the benefit of a licence or, where two or more persons are entitled to the benefit of a licence, each of those persons; and
- (b) a person who has rights under an agreement which is approved by the Board and is certified by the Secretary of State to confer on that person rights which are the same as, or similar to, those conferred by a licence;

“oil” has the meaning given by section 1(1) of this Act;

“oil field” shall be construed in accordance with Schedule 1 to this Act;

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“participator” (except in paragraph 4 of Schedule 2 to this Act) means, in relation to an oil field and any chargeable period—

- (a) a person who is or was at any time in that chargeable period a licensee in respect of any licensed area then wholly or partly included in the field; and
- (b) a person who is no longer a licensee in respect of any licensed area wholly or partly included in the field, but who was such a licensee at any time in either of the two chargeable periods preceding that chargeable period; and
- (c) a person who is no longer a licensee in respect of any licensed area wholly or partly included in the field (and who does not fall within paragraph (b) of this definition), but who has or had at any time in that chargeable period a share of oil won (whether or not in that period) from the field, being a share with respect to any part of which either of the following conditions is or was satisfied at that time, that is to say—

- (i) he has or had neither disposed of that part nor relevantly appropriated it; or

- (ii) he has or had disposed of, but not delivered, that part;

“pipe-line” means a pipe-line as defined in section 65 of the <sup>M7</sup>Pipe-lines Act 1962;

“production purposes”, in relation to an oil field, means any of the following purposes, that is to say—

- (a) carrying on drilling or production operations within the field; or
- (b) in the case of oil won from the field that was so won from strata in the sea bed and subsoil of either the territorial sea of the United Kingdom or a designated area, pumping it to the place where it is first landed in the United Kingdom [<sup>F55</sup>or to the place in the United Kingdom at which the seller in a sale at arm’s length could reasonably be expected to deliver it or, if there is more than one place at which he could reasonably be expected to deliver it, the one nearest to the place of extraction]; or
- (c) the initial treatment of oil won from the field;

[<sup>F56</sup>“refining”, in relation to oil, does not include subjecting it to initial treatment and “refined” and “refinery” shall be construed accordingly;];

“relevant licence”, in relation to a participator in an oil field, means any licence held or previously held by him in respect of a licensed area wholly or partly included in the field;

“relevantly appropriated”, in relation to oil won from an oil field, means appropriated to refining or to any use except use for production purposes [<sup>F57</sup>in relation to that or any other oil field], and “relevant appropriation” shall be construed accordingly;

“the responsible person”, in relation to an oil field, has the meaning given by paragraph 4 of Schedule 2 to this Act;

“royalty”, in relation to a participator in an oil field, means royalty payable (but not, it is hereby declared, oil delivered) to the Secretary of State under any relevant licence;

“tax” or “the tax” means petroleum revenue tax.

- (2) In this Part of this Act any reference to the use of an asset in connection with an oil field is a reference to its use in connection with that field for one or more of the purposes mentioned in section 3(1) of this Act (excluding section 3(1)(b)).
- (3) In this Part of this Act any reference (however worded) to the doing of anything in a chargeable period in connection with an oil field or with oil won from an oil field shall,

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[<sup>F58</sup>as regards the first chargeable period for any oil field], be construed as including the doing of that thing in connection with the area of the field as subsequently determined under Schedule 1 to this Act or, as the case may be, with oil won from that area.

- (4) In so far as a person is a participator in an oil field by virtue of a licence under the <sup>M8</sup>Petroleum (Production) Act (Northern Ireland) 1964, references in this Part of this Act to the Secretary of State (except references in Schedule 1) shall be construed in his case as references to the Department of Commerce for Northern Ireland.

### Textual Amendments

- F51** Word substituted by [Finance Act 1987 \(c. 16\), s. 62\(3\)](#) and Sch. 11 para. 5 for chargeable periods ending after 31 December 1986
- F52** Paragraphs (b)–(e) substituted for paragraph (b) by [Finance Act 1980 \(c. 48\), s. 109\(2\)\(3\)](#) in relation to chargeable periods ending after 31 December 1979
- F53** Words substituted by [Finance Act 1980 \(c. 48\), s. 109\(2\)\(3\)](#) in relation to chargeable periods ending after 31 December 1979
- F54** Paragraph (ii) substituted by [Finance Act 1980 \(c. 48\), s. 109\(4\)](#) in relation to chargeable periods ending after 31 December 1979
- F55** Words inserted by [Finance \(No. 2\) Act 1979 \(c. 47\), s. 20\(1\)](#) in relation to expenditure claimed after 31 December 1978
- F56** Definitions inserted by [Finance Act 1980 \(c. 48\), s. 109\(5\)](#) in relation to chargeable periods ending after 31 December 1979
- F57** Words inserted by [Finance Act 1983 \(c. 49\), s. 39](#), deemed to be effective for chargeable periods ending after 31 December 1977
- F58** Words repealed by [Finance Act 1982 \(c. 39\), ss. 135\(4\), 157](#) and Sch. 22 Part IX in relation to determinations made after 31 December 1981

### Modifications etc. (not altering text)

- C49** [S. 12](#) applied (6.3.1992 with effect as mentioned in [s. 289\(1\)\(2\)](#) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\), ss. 197\(1\), 289](#) (with [ss. 60, 101\(1\), 171, 201\(3\)](#))
- C50** Definition of “chargeable period” employed for purposes of [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), s. 500](#)
- C51** Definitions of “initial storage” and “initial treatment”: see [Oil Taxation Act 1983 \(c. 56\), Sch. 1 para. 1\(4\)](#) in relation to expenditure on associated assets used in connection with an external field
- C52** Definitions of “initial storage”, “oil field” and “participator” applied for purposes of [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), s. 502](#)
- C53** Definitions of “licence”, “licensee” and “oil” applied for purposes of [Finance Act 1988 \(c.39, SIF 63:1,2\), ss. 62–64](#)
- C54** Definition of “relevantly appropriated”: see [Oil Taxation Act 1983 \(c. 56\), Sch. 2 para. 12\(2\)\(b\)](#) in relation to oil purchased at place of extraction
- C55** Definition of “relevant appropriation” applied for purposes of [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), s. 493\(2\)](#)
- C56** The Department of Commerce for Northern Ireland to be construed as the Department of Economic Development by [S.I. 1982 No. 846 \(N.I. 11\)](#) from 6 September 1982 by [N.I. Order 1982 No. 221 \(C. 4\)](#)

### Marginal Citations

- M5** 1934 c. 36.
- M6** 1964 c. 28 (N.I.)
- M7** 1962 c. 58.
- M8** 1964 c. 28 (N.I.)

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## PART II

13–19 ..... F59

### Textual Amendments

**F59** Part II (ss. 13–19) repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), [s. 844](#) and Sch. 31

## PART III

### MISCELLANEOUS AND GENERAL

### Modifications etc. (not altering text)

**C57** Part III (s. 21) modified (27.7.1993) by Finance Act [1993 c. 34, ss. 191\(1\)\(2\)](#), [195\(1\)](#)  
Part III (s. 21) restricted (27.7.1993) by Finance Act [1993 c. 34, ss. 185\(3\)\(4\)\(d\)\(e\)](#), [195\(1\)](#)

20 ..... F60

### Textual Amendments

**F60** [S. 20](#) repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), [s. 844](#) and Sch. 31

## 21 Citation, interpretation and construction.

- (1) This Act may be cited as the Oil Taxation Act 1975.
- (2) In this Act—
  - “the Board” means the Commissioners of Inland Revenue;
  - “designated area” means an area designated by Order in Council under section 1(7) of the <sup>M9</sup>Continental Shelf Act 1964;
  - “the Taxes Act” means the Income and Corporation Taxes Act [<sup>F61</sup>1988].
- (3) Parts II and III of this Act, so far as they relate to income tax, shall be construed as one with the Income Tax Acts and, so far as they relate to corporation tax, shall be construed as one with the Corporation Tax Acts.
- (4) Except so far as the context otherwise requires, any reference in this Act to any enactment shall be construed as a reference to that enactment as amended, and as including a reference to that enactment as applied, by or under any other enactment, including this Act.
- (5) Without prejudice to the generality of the preceding subsection, any reference in this Act to a licence granted under the <sup>M10</sup>Petroleum (Production) Act 1934 includes a reference to a licence granted under section 2 of that Act as applied by section 1(3) of the <sup>M11</sup>Continental Shelf Act 1964.

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**Textual Amendments**

**F61** Figure substituted by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), **Sch. 29 para. 32**

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**Marginal Citations**

**M9** 1964 c. 29.

**M10** 1934 c. 36.

**M11** 1964 c. 29.

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## SCHEDULES

### SCHEDULE 1

Section 1.

#### DETERMINATION OF OIL FIELDS

##### Modifications etc. (not altering text)

**C58** See Finance Act 1982 (c. 39), s. 135

- 1 (1) For the purposes of this Part of this Act an oil field is any area which the appropriate authority may determine to be an oil field, being an area of which every part is, or is part of, a licensed area.
- (2) For the purposes of this Schedule the appropriate authority, in relation to any area—
- (a) is the Secretary of State if the area is such that licences can be granted for all of it under the <sup>M12</sup>Petroleum (Production) Act 1934;
  - (b) is the Department of Commerce for Northern Ireland if the area is such that licences can be granted for all of it under the <sup>M13</sup>Petroleum (Production) Act (Northern Ireland) 1964; and
  - (c) is the Secretary of State and that Department acting jointly if the area is such that licences can be granted for part of it under one and for part of it under the other of those Acts;
- and any reference in this Schedule to the making of representations to the appropriate authority is, in a case falling within (c) above, a reference to the making of them to either the Secretary of State or the said Department.

##### Marginal Citations

**M12** 1934 c. 36.

**M13** 1964 c. 28 (N.I.)

- 2 Before determining an area to be an oil field the appropriate authority—
- (a) shall give notice in writing of the proposed determination to every person who is a licensee in respect of a licensed area wholly or partly included in that area and to any other licensee whose interests appear to the authority to be affected; and
  - (b) shall consider any representations in writing which a person to whom a notice under this paragraph has been given may make to the authority within sixty days of receiving the notice,
- and the determination may be made either as proposed or with such modifications as appear to the authority to be appropriate after considering any representations made to the authority in accordance with this paragraph.



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- 3 A determination under this Schedule shall be in such form as the appropriate authority thinks fit and shall for purposes of identification assign to the field to which it relates a distinguishing number or other designation.
- 4 The appropriate authority shall give notice of any determination made by the authority under this Schedule to each of the persons to whom notice of the proposed determination was given.
- 5 A determination under this Schedule may from time to time be varied by a new determination thereunder made by the appropriate authority, and paragraphs 2 to 4 above shall apply to any such new determination.

## SCHEDULE 2

Section 1.

### MANAGEMENT AND COLLECTION OF PETROLEUM REVENUE TAX

#### Modifications etc. (not altering text)

**C59** See Oil Taxation Act 1983 (c. 56), Sch. 4 para. 14 for application of Sch. 2 to tax chargeable only by virtue of the provisions of s. 12 and Sch. 4 of that Act

#### *Management of tax*

- 1 (1) The tax shall be under the care and management of the Board; and the provisions of the <sup>M14</sup>Taxes Management Act 1970 specified in the first column of the following Table shall apply in relation to the tax as they apply in relation to a tax within the meaning of that Act, subject to any modifications specified in the second column of that Table and with the substitution, for references to Part IX of that Act or to the Taxes Acts, of references to this Part of this Act and, for references to chargeable periods within the meaning of that Act, of references to chargeable periods within the meaning of this Part of this Act.

#### TABLE

<i>Provisions applied</i>	<i>Modifications</i>
<b>Section</b>	
1(3)	
4	
33	In subsection (1), for the words from “year of assessment” to “in” substitute “chargeable period for”.  In subsection (3), after “assessments made on” insert “or determinations made in relation to”.

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34	In subsection (5), for the words following “profits” substitute “means assessable profits.”
36	Omit the reference to section 41, after “default”, wherever occurring, insert “or any neglect” and at the end add the following paragraph—  “For the purposes of this section any fraud, wilful default or neglect committed at any time by a responsible person for an oil field in connection with or in relation to the tax shall be treated as having been committed on behalf of each of the participators in that field at that time.”
48	
49(1)	
50(1)–(5)	Omit the proviso to subsection (5).
5 1	
5 2	
53	
5 6	
58(2)	
(3)	. . . F62  , for paragraphs (a) and (b), substitute ““proceedings in Northern Ireland” means proceedings in respect of an oil field which is wholly situated in an area for which licences can be granted under the M15 Petroleum (Production) Act (Northern Ireland) 1964”.
60	In subsection (1), omit the words following “charged therewith”.
61	In subsection (1), omit the words from “distrain upon” to “is charged or”.
62(1)	Omit “or which are payable for the year in which the seizure is made” and for “one year” and “one whole year” substitute “two chargeable periods”.

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- |            |                                                                                                                                                                                            |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (2)        | For “one whole year” substitute “two chargeable periods”.                                                                                                                                  |
| 63         |                                                                                                                                                                                            |
| 64(1)      | For “one year” and “one whole year” substitute “two chargeable periods”.                                                                                                                   |
| (2)        | For “one whole year” substitute “two chargeable periods”.                                                                                                                                  |
| 66         |                                                                                                                                                                                            |
| 67         |                                                                                                                                                                                            |
| 68         |                                                                                                                                                                                            |
| 69         | In paragraph (a), substitute a reference to section 68 as applied by this paragraph for the reference to the sections there specified.                                                     |
| 70(1)      |                                                                                                                                                                                            |
| (2)        | For the reference to section 86 or 87 substitute a reference to paragraph 15 of this Schedule.                                                                                             |
| 89(2)      | For the reference to the rate or rates of interest prescribed by subsection (1) of that section substitute a reference to the rate of interest mentioned in paragraph 15 of this Schedule. |
| (3)        |                                                                                                                                                                                            |
| 90         |                                                                                                                                                                                            |
| 98         | Omit the Table, and for references to any of the provisions specified in the Table substitute references to section 51 as applied by this paragraph or to paragraph 7 of this Schedule.    |
| 99         |                                                                                                                                                                                            |
| 100(1)     | Omit the words from the beginning to “this section”.                                                                                                                                       |
| (2)        |                                                                                                                                                                                            |
| (3)        | Omit the reference to the General Commissioners.                                                                                                                                           |
| (6)–(9)    |                                                                                                                                                                                            |
| 101        | For the reference to income or chargeable gains substitute a reference to assessable profits.                                                                                              |
| 102        |                                                                                                                                                                                            |
| 103(1)–(3) | Omit the proviso to subsection (2).                                                                                                                                                        |

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104	
105	
107(1)–(3)	
108	In subsection (2), for the words from the beginning to “Acts” substitute “The tax chargeable”.
112	In subsection (1), after “assessment to tax” and “the assessment” insert “or determination” and after “duplicate of assessment to tax” and “duplicate of assessment” insert “or of determination”.
113(1A)	
(3)	After “assessment” insert “determination” and after “notice of assessment” insert “notice of determination”.
114	After “assessment” wherever occurring insert “or determination”.
115(1)–(3)	
118(1)	
(2)	

- (2) Any expression to which a meaning is given in this Part of this Act which is used in a provision of the <sup>M16</sup>Taxes Management Act 1970 applied by this paragraph shall, in that provision as so applied, have the same meaning as in this Part of this Act.

#### Textual Amendments

**F62** Words repealed by Finance Act 1988 (c. 39, SIF 63:1,2), s. 148, **Sch. 14 Part IX** and S.I. 1989 No. 473 (c. 17)

#### Modifications etc. (not altering text)

**C60** See also Finance Act 1981 (c. 35), s. 128(1) and Sch. 16 para. 2; Oil Taxation Act 1983 (c. 56), **Sch. 4 para. 9(1)**

#### Marginal Citations

**M14** 1970 c. 9.

**M15** 1964 c. 28(N.I.)

**M16** 1970 c. 9.

### *Returns by participators*

- 2 (1) Every participator in an oil field shall, for each chargeable period, prepare and, within two months after the end of the period, deliver to the Board a return complying with

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the following provisions of this paragraph; but nothing in this sub-paragraph shall require a participator to deliver a return under this paragraph before 31st August 1975.

- (2) A return under this paragraph for a chargeable period shall give the following information in relation to oil which is or was included in the participator's share of any oil won from the oil field (whether or not in that period), that is to say—
- (a) in the case of each delivery (other than one made before 13th November 1974) in the period of oil disposed of by him crude (other than oil delivered as mentioned in (c) of this sub-paragraph), the return shall—
    - (i) state the quantity of oil delivered;
    - (ii) state the person to whom the oil was disposed of;
    - (iii) in the case of oil disposed of in a sale at arm's length, state the price received or receivable for the oil or, in the case of oil disposed of otherwise than in a sale at arm's length, state the market value of the oil [<sup>F63</sup>at the material time] in the calendar month in which the delivery was made; and
    - (iv) contain such other particulars of or relating to the disposal as the Board may prescribe;
  - (b) in the case of each relevant appropriation of crude oil (other than one made before 13th November 1974) in the period (not being oil disposed of by him), the return shall—
    - (i) state the quantity of oil appropriated;
    - (ii) state the market value of the oil [<sup>F63</sup>at the material time] in the calendar month in which the appropriation was made; and
    - (iii) contain such other particulars of or relating to the appropriation as the Board may prescribe;
  - (c) in the case of crude oil delivered to the Secretary of State in the period under the terms of a licence granted under the <sup>M17</sup>Petroleum (Production) Act 1934, the return shall state the total quantity of the oil;
  - (d) in the case of crude oil which, at the end of the period, has either not been disposed of and not relevantly appropriated or has been disposed of but not delivered, the return shall—
    - (i) state the quantity of the oil;
    - (ii) state the market value of the oil [<sup>F64</sup>in the last calendar month] of the period; and
    - (iii) contain such other particulars relating to the oil as the Board may prescribe.

[<sup>F65</sup>(2A) Every participator in an oil field shall, in the first return under this paragraph which he makes for that field, state whether any and, if any, how much [<sup>F66</sup>expenditure to which section 5A or section 5B] of this Act applies and which relates to, or to a licence for, any part of the field has been claimed under Schedule 7 to this Act—

- (a) by him, or
- (b) by a company associated with him in respect of that expenditure, or
- (c) if he or such a company is the new participator, within the meaning of Schedule 17 to the Finance Act 1980, by the old participator, within the meaning of that Schedule, or by a company associated with him in respect of that expenditure,

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and subsection (7) of section 5 of this Act applies for the purposes of this sub-paragraph as it applies for the purposes of that section.]

- (3) A return under this paragraph for a chargeable period shall state—
- (a) the amount of royalty payable by the participator for that period in respect of his share of oil won from the field as shown in the return or returns made by him to the Secretary of State under the relevant licence or licences;
  - (b) the amount of royalty paid by the participator in that period in respect of that share;
  - (c) the amount of any royalty paid under any relevant licence in respect of the field which was repaid to the participator in that period; and
  - (d) the amount of any periodic payment made by the participator to the Secretary of State in that period under each relevant licence otherwise than by way of royalty.

[<sup>F67</sup>(3A) A return under this paragraph for a chargeable period shall—

- (a) state the amount (if any) which, in the case of the participator, is to be brought into account for that period in accordance with section 2(5)(e) of this Act;
- (b) contain such particulars as the Board may prescribe (whether before or after the passing of the Finance Act 1987) with respect to any nominated transaction under Schedule 10 to that Act—
  - (i) the effective volume of which forms part of the participator's aggregate effective volume (construing those terms in accordance with that Schedule) for any calendar month comprised in that chargeable period; and
  - (ii) which has not led to deliveries of oil or relevant appropriations of which particulars are included in the return by virtue of sub-paragraph (2) above; and
- (c) contain such other particulars as the Board may prescribe (as mentioned above) in connection with the application of section 61 of and Schedule 10 to the Finance Act 1987.]

- (4) A return under this paragraph shall be in such form as the Board may prescribe and shall include a declaration that the return is correct and complete.

#### Textual Amendments

- F63** Words repealed by [Finance Act 1987 \(c. 16\)](#), [ss. 62\(1\)\(d\)](#), 72(7) and Sch. 16 Part X for chargeable periods ending after 31 December 1986
- F64** Words substituted by [Finance Act 1987 \(c. 16\)](#), [s. 62\(2\)](#) for chargeable periods ending after 31 December 1986
- F65** [Schedule 2 para. 2\(2A\)](#) inserted by [Finance Act 1983 \(c. 49\)](#), [s. 37\(2\)](#) and Sch. 8 Part II para. 5
- F66** Words substituted by [Finance Act 1987 \(c. 16\)](#), [s. 64\(2\)](#) and Sch. 13 Part II para. 4
- F67** [Schedule 2 para. 2\(3A\)](#) inserted by [Finance Act 1987 \(c. 16\)](#), [s. 61\(1\)](#) and Sch. 10 para. 13

#### Modifications etc. (not altering text)

- C61** See [Petroleum Revenue Tax Act 1980 \(c. 1, SIF 63:1\)](#), [s. 1](#); [Finance Act 1981 \(c. 35\)](#), [ss. 118](#), 128(1) and Sch. 16 para. 3; [Finance Act 1982 \(c. 39\)](#), [s. 135\(1\)\(b\)](#), (3)(a); [Oil Taxation Act 1983 \(c. 56\)](#), [s. 10\(1\)\(2\)](#); [Finance Act 1984 \(c. 43\)](#), [s. 114\(7\)](#)
- C62** See [Oil Taxation Act 1983 \(c. 56\)](#), [s. 10\(3\)](#)

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### Marginal Citations

M17 1934 c. 36.

- 3 (1) If a participator fails to deliver a return within the time allowed for doing so under paragraph 2(1) above he shall be liable, subject to sub-paragraph (3) below—
- (a) to a penalty not exceeding, except in the case mentioned in sub-paragraph (2) below, £500; and
  - (b) if the failure continues after it has been declared by the court or the Commissioners before whom proceedings for the penalty have been commenced, to a further penalty not exceeding £100 for each day on which the failure so continues.
- (2) If the failure continues after the end of six months from the time by which the return ought to have been delivered, the penalty under sub-paragraph (1)(a) above shall be an amount not exceeding the aggregate of £500 and the total amount of the tax with which the participator is charged for the chargeable period in question.
- (3) Except in the case mentioned in sub-paragraph (2) above, the participator shall not be liable to any penalty incurred under this paragraph for failure to deliver a return if the failure is remedied before proceedings for the recovery of the penalty are commenced.

### Modifications etc. (not altering text)

C63 See Finance Act 1981 (c. 35), s. 128(1) and Sch. 16 para. 3; Finance Act 1982 (c. 39), s. 139(6) and Sch. 19 para. 1(5); Oil Taxation Act 1983 (c. 56), s. 10(3)

### *Appointment of responsible person for each oil field*

- 4 (1) For each oil field a body corporate or partnership shall be appointed in accordance with this paragraph as the responsible person for that field to perform, in relation to the field, any functions conferred on it as such by this Part of this Act; and the body or partnership which for the time being holds that appointment is in this Part of this Act referred to as “the responsible person”.
- (2) No body corporate shall be eligible for appointment as the responsible person for an oil field unless it is resident in the United Kingdom, and no partnership shall be so eligible unless all its members are resident there.
- (3) The participators in an oil field shall, by notice in writing to the Board within the initial period, nominate a body corporate or a partnership for appointment as the responsible person for that oil field and, if the Board approve the nomination, the Board shall appoint that body or partnership as the responsible person and give it notice that it has been so appointed.
- (4) If—
- (a) the participators have made no nomination within the initial period; or
  - (b) the Board do not appoint the body or partnership nominated under sub-paragraph (3) above,

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the Board shall appoint one of the participators in the oil field as the responsible person for the field and shall give notice to that participator that he has been so appointed.

- (5) For the purposes of the preceding provisions of this paragraph, the initial period is the period of thirty days beginning with the latest date on which notice of determination of the oil field is given to any of the participators under paragraph 4 of Schedule 1 to this Act.
- (6) The Board may at any time, on the application of all the participators in an oil field, appoint a body corporate or partnership nominated by the participators as the responsible person for that field in place of the body corporate or partnership which is the responsible person at that time, and shall give the body or partnership so appointed notice that it has been so appointed.
- (7) The Board may, by notice in writing to the body corporate or partnership which is for the time being the responsible person for an oil field, revoke the appointment of that body or partnership as the responsible person for that field; and where they do so the Board shall appoint one of the participators in the oil field as the responsible person for that field and shall give notice to the participator that he has been so appointed.
- (8) In this paragraph “participator”, in relation to an oil field, means a person who is a licensee in respect of any licensed area wholly or partly included in the field.

**Modifications etc. (not altering text)**

**C64** See Oil Taxation Act 1983 (c. 56), **Sch. 4 para. 13** in relation to a foreign field

*Returns by the responsible person*

- 5 (1) The responsible person for an oil field shall, for each chargeable period, prepare and, within one month after the end of the period, deliver to the Board a return for that period complying with sub-paragraphs (2) and (3) below; but nothing in this sub-paragraph shall require the responsible person to deliver a return under this paragraph before 31st July 1975.
- (2) A return under this paragraph for a chargeable period shall—
  - (a) state the quantity of oil won and saved from the oil field during the period;
  - (b) state the respective interests of the participators in the field in that oil;
  - (c) state what, in accordance with those interests, is each participator’s share of that oil; and
  - (d) contain such other particulars of or relating to the field as the Board may require.
- [<sup>F68</sup>(2A) The reference in sub-paragraph (2)(d) above to particulars of or relating to the field includes a reference to particulars required for determining the amount by which any qualifying tariff receipts, within the meaning of section 9 of the Oil Taxation Act 1983, are to be treated as reduced by virtue of that section.]
- [<sup>F69</sup>(2B) If in any chargeable period oil won from the oil field is mixed as mentioned in section 63 of the Finance Act 1987 so as to give rise to blended oil, within the



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meaning of that section, then, as respects that chargeable period, for paragraph (a) of sub-paragraph (2) above there shall be substituted the following paragraph—

“(a) state the total of the shares of the participators in the oil field of the oil won from the field during the period less so much of the oil won from the field as is not saved”.]

(3) A return under this paragraph shall be in such form as the Board may prescribe and shall include a declaration that the return is correct and complete.

#### Textual Amendments

**F68** Schedule 2 para. 5(2A) inserted by Oil Taxation Act 1983 (c. 56), s. 10(4) with respect to chargeable periods ending after 1 December 1983

**F69** Schedule 2 para. 5(2B) inserted by Finance (No. 2) Act 1987 (c. 51), s. 101(4) for chargeable periods ending after 1 January 1987

#### Modifications etc. (not altering text)

**C65** See Finance Act 1981 (c. 35), s. 128(1) and Sch. 16 para. 3; Finance Act 1982 (c. 39), s. 135(1)(b), (3) (b); Oil Taxation Act 1983 (c. 56), s. 10(5)

- 6 (1) If the responsible person fails to deliver a return within the time allowed for doing so under paragraph 5(1) above he shall be liable—
- (a) to a penalty not exceeding £500, and
  - (b) if the failure continues after it has been declared by the court or Commissioners before whom proceedings for the penalty have been commenced, to a further penalty not exceeding £100 for each day on which the failure so continues.
- (2) The responsible person shall not be liable to any penalty incurred under sub-paragraph (1) above for failure to deliver a return if the failure is remedied before proceedings for the recovery of the penalty are commenced.

#### *Production of accounts, books and other information*

- 7 (1) Where a participator in or the responsible person for an oil field fails to deliver a return as required by paragraph 2 or, as the case may be, 5 above or the Board are not satisfied with a return delivered in pursuance of either of those paragraphs, the Board may, by notice in writing, require the participator or, as the case may be, the responsible person to do any of the following things, that is to say—
- (a) to deliver to the Board copies of such accounts (including balance sheets) relating to the field or to oil won therefrom as may be specified or described in the notice within such period as may be so specified, including, where the accounts have been audited, a copy of the auditor’s certificate;
  - (b) to make available, within such time as may be specified in the notice, for inspection by an officer authorised by the Board all such books, accounts and documents in his possession or power as may be specified or described in the notice, being books, accounts and documents which contain information about transactions relating to the oil field or to oil won therefrom.
- (2) An authorised officer of the Board may take copies of, or make extracts from, any books, accounts or documents made available for his inspection under this paragraph.

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*Changes to legislation: There are currently no known outstanding effects for the Oil Taxation Act 1975. (See end of Document for details)*

**Modifications etc. (not altering text)**

**C66** See Finance Act 1981 (c. 35), s. 128(1) and Sch. 16 para. 3; Finance Act 1982 (c. 39), s. 139(6) and Sch. 19 para. 3

*Incorrect returns, accounts, etc.*

- 8 (1) Where a participator in an oil field fraudulently or negligently—
- (a) delivers an incorrect return under paragraph 2 above; or
  - (b) makes any incorrect statement or declaration in connection with any claim under this Part of this Act for the allowance of any expenditure or for any relief in respect of the tax; or
  - (c) submits to the Board or the Special Commissioners any incorrect accounts in connection with the ascertainment of the participator's liability to the tax,
- the participator shall be liable to a penalty not exceeding the aggregate of—
- (i) £50, and
  - (ii) the amount or, in the case of fraud, twice the amount, of the difference specified in sub-paragraph (2) below.
- (2) The difference is that between—
- (a) the amount of tax payable by the participator—
    - (i) for the chargeable period to which the return relates; or
    - (ii) for the next chargeable period ending after the allowance of the claim; or
    - (iii) for the chargeable period or periods against which the relief is claimed; or
    - (iv) for the chargeable period or periods for which the accounts are relevant,
 as the case may be; and
  - (b) the amount which would have been the amount so payable if the return, statement, declaration or accounts as made or submitted by him had been correct.
- (3) Where the responsible person for an oil field fraudulently or negligently—
- (a) delivers an incorrect return under paragraph 5 above; or
  - (b) makes any incorrect statement or declaration in connection with any claim under this Part of this Act for the allowance of any expenditure,
- the responsible person shall be liable to a penalty not exceeding £2,500 or, in the case of fraud on his part, £5,000.

**Modifications etc. (not altering text)**

**C67** See Finance Act 1981 (c. 35), s. 128(1) and Sch. 16 para. 3; Finance Act 1982 (c. 39), ss. 134(5), 139(6), Schs. 18 para. 10, 19 paras. 1(5), 3(2)

**C68** See Finance Act 1981 (c. 35), s. 128(1) and Sch. 16 para. 3

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- 9 (1) Where any such return, statement, declaration or accounts as are mentioned in paragraph 8 above were made or submitted by any person neither fraudulently nor negligently and it comes to his notice that they were incorrect, then, unless the error is remedied without unreasonable delay, the return, statement, declaration or accounts shall be treated as having been negligently made or submitted by the first-mentioned person.
- (2) Where any such return, statement, declaration or accounts were made or submitted by the responsible person for an oil field neither fraudulently nor negligently and it comes to the notice of any person who subsequently becomes the responsible person for that field that they were incorrect, then, unless the error is remedied without unreasonable delay, the return, statement, declaration or accounts shall be treated as having been negligently made or submitted by the responsible person to whose notice the incorrectness came.
- (3) For the purposes of paragraph 8 above, any accounts submitted on behalf of any person shall be deemed to have been submitted by that person unless he proves that they were submitted without his consent or connivance.

**Modifications etc. (not altering text)**

**C69** See Finance Act 1982 (c. 39), ss. 134, 139(6), Schs. 18 para. 10, 19 paras. 1(5)

*Assessments to tax and determinations of loss, etc.*

- 10 (1) Where it appears to the Board that, in accordance with the provisions of this Part of this Act, an assessable profit has accrued to a participator in a chargeable period from an oil field, they shall make an assessment to tax on the participator and shall give him notice of the assessment.
- (2) Where it appears to the Board that, in accordance with those provisions, an allowable loss has accrued to a participator in a chargeable period from an oil field, they shall make a determination that the loss is allowable to the participator and shall give him notice of the determination.
- (3) Where it appears to the Board that, in accordance with those provisions, neither an assessable profit nor an allowable loss has accrued to a participator in a chargeable period, they shall make a determination to that effect and shall give him notice of the determination.
- (4) A notice of assessment for a chargeable period shall state the amount of any allowable losses which, in accordance with those provisions, have been set against the assessable profit for that period.
- (5) A notice of assessment or determination shall state that the participator may appeal against the assessment or determination in accordance with paragraph 14 below.
- (6) After the service of the notice of assessment or the notice of determination the assessment or determination, as the case may be, shall not be altered except in accordance with the express provisions of this Part of this Act (including the provisions applied by paragraph 1 above).

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**Modifications etc. (not altering text)**

**C70** See Finance Act 1980 (c. 48), s. 106 and Sch. 17 para. 14 where interest in oil field transferred after 1 August 1980

- 11 (1) Where a participator has under paragraph 2 above delivered to the Board a return for a chargeable period and the Board are satisfied that the information given in the return is correct in so far as it is material for the purpose of computing his assessable profit or allowable loss (if any) for that period, the Board shall (in so far as the computation falls to be made by reference to the matters dealt with in the return) make the assessment or determination under paragraph 10 above in accordance with the return.
- (2) Where the Board are not so satisfied in relation to a participator's return or a participator fails to deliver to the Board a return for a chargeable period as required by paragraph 2 above, the Board shall, in so far as the computation of his assessable profit or allowable loss (if any) for that period falls to be made by reference to the matters which were dealt with in the return or, as the case may be, ought to have been dealt with in a return, make the assessment or determination under paragraph 10 above to the best of their judgment.
- (3) Nothing in sub-paragraph (2) above or in paragraph 5 above shall be taken, in a case where the participator has delivered a return as to which the Board are not satisfied as mentioned in sub-paragraph (1) above, to prevent the Board from basing their assessment or determination on the participator's having had an interest in oil won and saved from the field different from that on which he based his return.
- 12 (1) Where it appears to the Board—
- (a) that the assessable profit charged to tax by or stated in an assessment ought to be or to have been larger or smaller; or
  - (b) that the allowable loss stated in an assessment or a determination of loss ought to be or to have been larger or smaller; or
  - (c) that, where they made a determination that neither an assessable profit nor an allowable loss accrued in a chargeable period, they ought to have made an assessment to tax or a determination of loss for that period, [<sup>F70</sup>or]
  - [<sup>F71</sup>(d) that for any chargeable period they ought to have made an assessment to tax instead of a determination of loss or a determination of loss instead of an assessment to tax];
- the Board may make such assessments or determinations or such amendments of assessments or determinations as may be necessary; and where the Board exercise any of their powers under this paragraph in relation to a chargeable period, they may make such [<sup>F72</sup>assessments or determinations or amendments of assessments or determinations] for other chargeable periods as may be necessary in consequence of the exercise of those powers.
- (2) Where under sub-paragraph (1) above it appears to the Board that the assessable profit for a chargeable period ought to have been larger and that the deficiency resulted from an excessive allowable loss accruing in a subsequent period having been set against the profit for that period, the Board may (notwithstanding anything in section 34 of the <sup>M18</sup>Taxes Management Act 1970 (ordinary time limit for assessments)) make a further assessment by virtue of sub-paragraph (1) above at

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any time not later than six years after the end of the chargeable period in which the allowable loss accrued.

[<sup>F73</sup>(3) Where under this paragraph the Board make an assessment or determination or amend an assessment or determination they shall give notice thereof to the participator concerned; and sub-paragraphs (4), (5) and (6) of paragraph 10 above shall apply in relation to any such assessment, determination or amendment as they apply in relation to an assessment or determination under that paragraph.]

#### Textual Amendments

- F70** Word added by Finance Act 1976 (c. 40), s. 130(2)  
**F71** Sch. 2 para. 12(1)(d) added by Finance Act 1976 (c. 40), s. 130(2)  
**F72** Words substituted by Finance Act 1976 (c. 40), s. 130(2)  
**F73** Sch. 2 para. 12(3) added by Finance Act 1976 (c. 40), s. 130(3)(4)

#### Modifications etc. (not altering text)

- C71** See Oil Taxation Act 1983 (c. 56), Sch. 5 para. 5(3) in relation to transitional provisions introduced by s. 13 and Sch. 5 of that Act

#### Marginal Citations

- M18** 1970 c. 9.

VALID FROM 27/07/1999

[<sup>F74</sup>12A(1) Where—

- (a) the Board has extended the period for the delivery of any return that is required under paragraph 2 of this Schedule to be delivered for any chargeable period, and
- (b) the relevant time falls more than one year after the end of the chargeable period,

the period within which the Board may make an assessment under this Schedule for that chargeable period shall not expire before the end of the period of five years beginning with the relevant time.

(2) In this paragraph “the relevant time” means the earlier of—

- (a) the time which, as a result of the extension, is the latest time for the delivery of the return; and
- (b) the time when the return is delivered.]

#### Textual Amendments

- F74** Sch. 2 para. 12A inserted (27.7.1999 with application in relation to chargeable periods ending on or after 30.6.1999) by 1999 c. 16, s. 102(3)(8)

### Payment of tax

13 Subject to paragraph 14 below, the tax charged in an assessment made on a participator for any chargeable period [<sup>F75</sup>and payable shall be due within six

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months] after the end of that chargeable period or, if later, thirty days after the date of issue of the notice of assessment; but no tax shall be payable by virtue of this paragraph before 30th April 1976.

#### **Textual Amendments**

**F75** Words substituted by [Finance Act 1982 \(c. 39\), s. 139\(6\)](#) and Sch. 19 para. 19 with respect to chargeable periods ending on or after 30 June 1983

#### **Modifications etc. (not altering text)**

**C72** See [Finance Act 1982 \(c. 39\), s. 135\(1\)\(b\)](#)

**C73** See [Finance Act 1982 \(c. 39\), s. 142\(5\)](#)

### *Appeals*

- 14 (1) A participator may appeal to the Special Commissioners against an assessment or determination [<sup>F76</sup>or an amendment of an assessment or determination] made on or in relation to him by notice of appeal in writing given to the Board within thirty days after the date of issue of the notice of assessment or determination [<sup>F76</sup>or of the notice of the amendment].
- (2) The notice of appeal shall specify the grounds of appeal, but on the hearing of the appeal the Commissioners may allow the appellant to put forward any ground not specified in the notice, and may take it into consideration if satisfied that the omission was not wilful or unreasonable.
- (3) A participator who has given notice of appeal under sub-paragraph (1) above against an assessment charging him with any tax for a chargeable period may, if he delivered a return for that period as required by paragraph 2 above, withhold, until the determination or abandonment of the appeal, so much of the tax charged in the assessment as is the smaller of—
- (a) the amount of the tax so charged; and
  - (b) tax on the difference between—
    - (i) the aggregate of the consideration received or receivable for oil as stated in the participator's return in pursuance of sub-paragraph (2) of that paragraph and, subject to sub-paragraph (4) below, the market value of oil as so stated; and
    - (ii) the aggregate of the corresponding consideration and value as included in the assessment.
- (4) Subject to sub-paragraph (5) below, where the market value of all the oil for which a market value is stated in the participator's return is, as stated in that return, less than the value which is produced for that oil by applying to it the average price mentioned in sub-paragraph (6) below, sub-paragraph (3) above shall have effect as if, for the reference to the market value of oil as so stated, there were substituted a reference to the value which is so produced for that oil.
- (5) The comparison of values and the substitution required by sub-paragraph (4) above shall, in the case of an appeal by a participator whose return relates both to gas and to other oil, be made separately for the gas and for the other oil.

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- (6) The average price referred to in sub-paragraph (4) above is the average price at which all oil included in the relevant returns as oil delivered in the period covered by the returns and disposed of in sales at arm's length was so disposed of.
- (7) The relevant returns for the purposes of sub-paragraph (6) above are all the returns of all the participators in all oil fields which—
- (a) were made for the chargeable period preceding that to which the appeal relates; and
  - (b) were delivered before the end of the chargeable period to which the appeal relates.
- (8) The participator may at any time, if the Board do not object to his doing so, abandon an appeal instituted by him; and for this purpose he shall notify his desire to do so to the Board who may, within thirty days after being so notified, object by notice in writing to the participator.
- (9) Where, at any time between—
- (a) the giving of a notice of appeal against the assessment [<sup>F77</sup>determination or amendment] or from a decision of the Board on a claim under section 33 of the <sup>M19</sup>Taxes Management Act 1970 as applied by paragraph 1 above, and
  - (b) the determination of the appeal by the Special Commissioners,
- the Board and the participator agree [<sup>F77</sup>on how the assessment, determination, amendment or decision should be varied or on what assessment or determination should be substituted in relation to the chargeable period in question, the same consequences shall ensue as if the Commissioners had determined the appeal to that effect].
- [<sup>F78</sup>(10) If, on the appeal, it appears to a majority of the Commissioners present at the hearing that the assessment, determination or amendment is wrong—
- (a) because no, or a smaller, assessable profit or a, or a larger, allowable loss has accrued for the chargeable period in question; or
  - (b) because a, or a larger, assessable profit or no, or a smaller, allowable loss has accrued for that period,
- the Commissioners shall vary the assessment, determination or amendment in such manner, or substitute such assessment or determination, as may be required; and it shall be for the participator to satisfy the Commissioners as to any matter within paragraph (a) above.]
- (11) Save as otherwise provided by this Schedule (including the provisions applied by paragraph 1 above), [<sup>F79</sup>the determination by the Special Commissioners of any appeal] under this Part of this Act shall be final and conclusive.

#### Textual Amendments

- F76** Words inserted by [Finance Act 1976 \(c. 40\), s. 130\(3\)\(4\)](#)  
**F77** Words substituted by [Finance Act 1976 \(c. 40\), s. 130\(5\)](#)  
**F78** [Sch. 2 para. 14\(10\)](#) substituted by [Finance Act 1976 \(c. 40\), s. 130\(6\)](#)  
**F79** Words substituted by [Finance Act 1976 \(c. 40\), s. 130\(7\)](#)

#### Modifications etc. (not altering text)

- C74** See [Finance Act 1982 \(c. 39\), s. 142\(5\)](#)

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- C75** See Finance Act 1982 (c. 39), **Sch. 19 para. 7(2)**
- C76** Sch. 2 para. 14(2) to apply to Finance Act 1987 (c. 16), **ss. 63(6), 66(8)** and Sch. 12 para. 3(2)(d) as for appeals against assessments or determinations made under Oil Taxation Act 1975 (c. 22)
- C77** See also Petroleum Revenue Tax Act 1980 (c. 1, SIF 63:1), **s. 1(5)** in relation to chargeable periods ending on or after 31 December 1979
- C78** Sch. 2 para. 14(8) to apply to Finance Act 1987 (c. 16), **ss. 63(6), 66(8)** and Sch. 12 para. 3(2)(d) as for appeals against assessments or determinations made under Oil Taxation Act 1975 (c. 22)
- C79** Sch. 2 para. 14(11) to apply to Finance Act 1987 (c. 16), **ss. 63(6), 66(8)** and Sch. 12 para. 3(2)(d) as for appeals against assessments or determinations made under Oil Taxation Act 1975 (c. 22)

#### Marginal Citations

**M19** 1970 c. 9.

#### *Interest on tax*

- 15 (1) Subject to sub-paragraph (2) below, tax charged in an assessment for a chargeable period shall carry interest at the [<sup>F80</sup>rate applicable under section 178 of the Finance Act 1989] from [<sup>F81</sup>two months] after the end of the period until payment.
- (2) Nothing in sub-paragraph (1) above shall authorise or require interest to be charged from any time before 30th April 1976.
- (3) Where, under paragraph 14(3) above, tax may be withheld until the determination or abandonment of an appeal, the interest on that tax may also be withheld until the determination or abandonment of the appeal.

#### Textual Amendments

- F80** Words substituted by Finance Act 1989 (c. 26), **s. 179(1)(4)** and S.I. 1989 No. 1298 (C. 44) for periods beginning on or after 18 August 1989
- F81** Words substituted by Petroleum Revenue Tax Act 1980 (c. 1, SIF 63:1), **s. 2** in relation to tax charged for any period ending on or after 31 December 1979

#### Modifications etc. (not altering text)

- C80** See Finance Act 1982 (c. 39), **ss. 139(6), 142(5)** and Sch. 19 para. 13(4)
- C81** Rates applicable: 12 per cent. for periods after 31 December 1979 by S.I. 1979 No. 1687; 8 per cent. after 30 November 1982 by S.I. 1982 No. 1587; 11 per cent. after 30 April 1985 by S.I. 1985 No. 563; 8.5 per cent. after 5 August 1986 by S.I. 1986 No. 1181; 9.5 per cent. after 5 November 1986 by S.I. 1986 No. 1832; 9 per cent. after 5 April 1987 by S.I. 1987 No. 513; 8.25 per cent. after 5 June 1987 by S.I. 1987 No. 898; 9 per cent. after 5 September 1987 by S.I. 1987 No. 1492; and 8.25 per cent. after 5 December 1987 by S.I. 1987 No. 1988 (for later orders see Part III). See also S.I. 1989 No. 1297 for regulations made and interest rates set under Finance Act 1989 (c. 26), **s. 178**

- 16 [<sup>F82</sup>Subject to paragraph 17 below] where any amount of tax charged by an assessment to tax [<sup>F83</sup>or paid on account of tax so charged] becomes repayable under any provision of this Part of this Act that amount shall carry interest at the [<sup>F84</sup>rate applicable under section 178 of the Finance Act 1989][<sup>F85</sup>from—
- (a) two months after the end of the chargeable period for which the assessment was made; or
- (b) the date on which it was paid,
- whichever is the later, until [<sup>F86</sup>the order for repayment is issued]].



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### Textual Amendments

- F82** Words inserted by [Finance Act 1990 \(c. 29, SIF 63:1\), s. 121\(2\)](#)
- F83** Words inserted by [Petroleum Revenue Tax Act 1980 \(c. 1, SIF 63:1\), s. 2](#) in relation to tax charged for any period ending on or after 31 December 1979
- F84** Words substituted by [Finance Act 1989 \(c. 26\), s. 179\(1\)\(4\)](#) and S.I. 1989 No. 1298 (C. 44) for periods beginning on or after 18 August 1989
- F85** Words substituted by [Petroleum Revenue Tax Act 1980 \(c. 1, SIF 63:1\), s. 2](#) in relation to tax charged for any period ending on or after 31 December 1979
- F86** Words substituted by [Finance Act 1989 \(c. 26\), s. 180\(2\)\(a\)](#) and (7) which amendment is deemed always to have had effect

### Modifications etc. (not altering text)

- C82** Rates applicable: 12 per cent. for periods after 31 December 1979 by S.I. [1979 No. 1687](#); 8 per cent. after 30 November 1982 by S.I. [1982 No. 1587](#); 11 per cent. after 30 April 1985 by S.I. [1985 No. 563](#); 8.5 per cent. after 5 August 1986 by S.I. [1986 No. 1181](#); 9.5 per cent. after 5 November 1986 by S.I. [1986 No. 1832](#); 9 per cent. after 5 April 1987 by S.I. [1987 No. 513](#); 8.25 per cent. after 5 June 1987 by S.I. [1987 No. 898](#); 9 per cent. after 5 September 1987 by S.I. [1987 No. 1492](#); and 8.25 per cent. after 5 December 1987 by S.I. [1987 No. 1988](#) (for later orders see Part III). See also S.I. [1989 No. 1297](#) for regulations made and interest rates set under [Finance Act 1989 \(c. 26\), s. 178](#)
- C83** By [Petroleum Revenue Tax Act 1980 \(c. 1, SIF 63:1\), s. 2\(3\)](#) any alteration in the rate mentioned in Sch. 2 para. 15(1) to apply also to Sch. 2 para. 16
- C84** See [Finance Act 1982 \(c. 39\), s. 139\(6\)](#) and Sch. 19 para. 13(5) in respect of repayments due in respect of the chargeable period ending on 30 June 1983

<sup>F87</sup>17 (1) This paragraph applies where—

- (a) an assessment made on a participator for a chargeable period or an amendment of such an assessment (in this paragraph referred to as “the relevant assessment or amendment”) gives effect to relief under subsection (2) of subsection (3) of section 7 of this Act for one or more allowable losses accruing in a later chargeable period (in this paragraph referred to, in relation to the relevant assessment or amendment, as “the relief for losses carried back”); and
  - (b) the later chargeable period referred to in paragraph (a) above ends after 30th June 1991; and
  - (c) an amount of tax becomes repayable to the participator by virtue of the relevant assessment or amendment (whether wholly or partly by reason of giving effect to the relief for losses carried back).
- (2) In the following provisions of this paragraph, so much of the repayment of tax referred to in sub-paragraph (1)(c) above as is attributable to giving effect to the relief for losses carried back is referred to as “the appropriate repayment”.
- (3) For the purpose of determining the amount of the appropriate repayment in a case where the relevant assessment or amendment not only gives effect to the relief for losses carried back but also takes account of any other matter (whether a relief or not) which goes to reduce the assessable profit of the period in question or otherwise to reduce the tax payable for that period, the amount of the repayment which is attributable to the relief for losses carried back is the difference between—
- (a) the total amount of tax repayable by virtue of the relevant assessment or amendment; and

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- (b) the amount of tax (if any) which would have been so repayable if no account had been taken of the relief for losses carried back.
- (4) Where this paragraph applies, the amount of interest which, by virtue of paragraph 16 above, is carried by the appropriate repayment shall not exceed the difference between—
  - (a) 85 per cent of the allowable loss or losses referred to in sub-paragraph (1) (a) above; and
  - (b) the amount of the appropriate repayment.]

**Textual Amendments**

**F87** Sch. 2 para. 17 inserted by Finance Act 1990 (c. 29, SIF 63:1), s. 121(2)(3)

SCHEDULE 3

Section 1.

PETROLEUM REVENUE TAX: MISCELLANEOUS PROVISIONS

*Definition of sale of oil at arm's length*

- 1 (1) For the purposes of this Part of this Act a sale of any oil is a sale at arm's length if, but only if, the following conditions are satisfied with respect to the contract of sale, that is to say—
- (a) the contract price is the sole consideration for the sale;
  - (b) the terms of the sale are not affected by any commercial relationship (other than that created by the contract itself) between the seller or any person connected with the seller and the buyer or any person connected with the buyer; and
  - (c) neither the seller nor any person connected with him has, directly or indirectly, any interest in the subsequent resale or disposal of the oil or any product derived therefrom.
- (2) Section [F88839] of the Taxes Act (connected persons) shall apply for the purposes of the preceding sub-paragraph.

**Textual Amendments**

**F88** Figure substituted by Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), Sch. 29 para. 32

**Modifications etc. (not altering text)**

**C85** Definition applied for purposes of Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 493(3)

*Definition of market value of oil*

- 2 [F89(1)] The market value of any oil in any calendar month shall be determined for the purposes of this Part of this Act in accordance with this paragraph.

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- (2) Subject to the following provisions of this paragraph, the market value of any oil in a calendar month (in this paragraph referred to as “the relevant month” is the price at which oil of that kind might reasonably have been expected to be sold under a contract of sale satisfying the following conditions—
- (a) the contract is for the sale of the oil at arm’s length to a willing buyer;
  - (b) the contract is for the delivery of the oil at a time in the relevant month;
  - (c) the contract is entered into within the period beginning at the beginning of the month preceding the relevant month and ending on the middle day of the relevant month or, if the Treasury by order so direct, within such other period as may be specified in the order;
  - (d) the contract requires the oil to have been subjected to appropriate initial treatment before delivery;
  - (e) the contract requires the oil to be delivered]—
  - (i) in the case of oil extracted in the United Kingdom, at the place of extraction; or
  - (ii) in the case of oil extracted from strata in the sea bed and subsoil of the territorial sea of the United Kingdom or of a designated area, at the place in the United Kingdom at which the seller could reasonably be expected to deliver it or, if there is more than one such place, the one nearest to the place of extraction;
- [<sup>F90</sup>(f)] in the case of oil whose market value falls to be ascertained [<sup>F91</sup>as in a particular month] for the purposes of paragraph (b) of section 2(4) or paragraph (d) of section 2(5) of this Act or, subject to sub-paragraph (3) below, under paragraph 3 below for the purposes of paragraph (b) or (c) of the said section 2(5), the contract is for the sale of the whole quantity of oil whose market value falls to be ascertained [<sup>F91</sup>as in that month] for the purposes of the paragraph in question, and of no other oil.
- [<sup>F92</sup>and, for the avoidance of doubt, it is hereby declared that the terms as to payment which are to be implied in the contract shall be those which are customarily contained in contracts for the sale at arm’s length of oil of the kind in question][<sup>F93</sup>and, for the purposes of paragraph (c) above, the middle day of a month containing an even number of days shall be taken to be the last day of the first half of the month, and the power to make an order under that paragraph shall be exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament].
- [<sup>F94</sup>(2A) For the purpose of sub-paragraph (2) above, the price of any oil in a calendar month shall be determined, subject to sub-paragraphs (2B) and (2C) below, by taking the average of the prices under actual contracts for the sale of oil of that kind—
- (a) which are contracts for the sale of oil by a participator in an oil field or by a company which, for the purposes of section 115(2) of the Finance Act 1984, is associated with such a participator; and
  - (b) which, subject to sub-paragraph (2B) below, satisfy the conditions in paragraphs (a) to (e) of sub-paragraph (2) above; and
  - (c) which do not contain terms as to payment which differ from those customarily contained in contracts for the sale at arm’s length of oil of the kind in question.
- (2B) For the purposes of sub-paragraph (2A)(b) above, a contract shall be treated as fulfilling the condition in paragraph (c) of sub-paragraph (2) above if it contains provisions under which the price for oil to be delivered in the relevant month either is determined or subject to review in the period relevant for the purposes of

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that paragraph or is determined by reference to other prices which are themselves determined in that period, being prices for oil to be delivered in the relevant month.

- (2C) The average referred to in sub-paragraph (2A) above shall be determined—
- (a) by establishing an average price for oil of the kind in question for each business day within the period relevant for the purposes of sub-paragraph (2) (c) above; and
  - (b) by taking the arithmetic mean of the average prices so established;
- and in this sub-paragraph “business day” has the same meaning as in the Bills of Exchange Act 1882.
- (2D) If or in so far as the Board are satisfied that it is impracticable or inappropriate to determine for the purposes of sub-paragraph (2) above the price of any oil in a calendar month as mentioned in sub-paragraph (2A) above (whether by virtue of an insufficiency of contracts satisfying the conditions or of information relating to such contracts or by virtue of the nature of the market for oil of the kind in question or for any other reason), that price shall be determined,—
- (a) so far as it is practicable and appropriate to do so by reference to such other contracts (whether or not relating to oil of the same kind) and in accordance with the principles in sub-paragraph (2C) above; and
  - (b) so far as it is not practicable or appropriate to determine it as mentioned in paragraph (a) above, in such other manner as appears to the Board to be appropriate in the circumstances.]
- (3) If oil whose market value falls to be ascertained [<sup>F91</sup>as in a particular month] under paragraph 3 below for the purposes of paragraph (b) of the said section 2(5) was not all disposed of to the same person, then the market value [<sup>F95</sup>at that time] of so much of that oil as was disposed of [<sup>F96</sup>in that month] to any one person shall be ascertained in accordance with sub-paragraphs (1) [<sup>F91</sup>to (2D)] above as if that were the only oil whose market value fell to be ascertained [<sup>F91</sup>as in that month] for those purposes (with sub-paragraph [<sup>F91</sup>(2)(e)] above applying accordingly).
- [<sup>F97</sup>(3A) Where all or any of the oil whose market value falls to be ascertained in accordance with sub-paragraphs (1) and (2) above has been subjected to initial treatment before being disposed of or relevantly appropriated, the appropriate initial treatment referred to in sub-paragraph (2)(a) above shall, as respects that oil, include the whole of that treatment.]
- (4) The provisions of sub-paragraphs (2) and (3) above shall apply for the ascertainment of the market value of oil in any case mentioned in paragraph 2(2) of Schedule 2 to this Act as they apply in relation to the corresponding case mentioned in those provisions.

#### Textual Amendments

- F89** Sch. 3 para. 2(1)(2)(a)-(d) and part of (e) substituted for Sch. 3 para. 2(1)(2)(a) and part of (b) by Finance Act 1987 (c. 16), s. 62(3), **Sch. 11 para. 1(2)(3)** for chargeable periods ending after 31 December 1986
- F90** Sch. 3 para. 2(2)(c) renumbered as Sch. 3 para. 2(2)(f) by Finance Act 1987 (c. 16), s. 62(3), **Sch. 11 para. 1(4)** for chargeable periods ending after 31 December 1986
- F91** Words substituted by Finance Act 1987 (c. 16), s. 62(3) and Sch. 11 para. 1 for chargeable periods ending after 31 December 1986
- F92** Words added by Finance Act 1983 (c. 49), s. 38

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- F93** Words added by Finance Act 1987 (c. 16), s. 62(3) and Sch. 11 para. 1 for chargeable periods ending after 31 December 1986
- F94** Sch. 3 para. 2(2A)–(2D) inserted by Finance Act 1987 (c. 16), s. 62(3) and Sch. 11 para. 1 for chargeable periods ending after 31 December 1986
- F95** Words repealed by Finance Act 1987 (c. 16), ss. 62(3), 72(7), Schs. 11 para. 1(7) and 16 Part X for chargeable periods ending after 31 December 1986
- F96** Words inserted by Finance Act 1987 (c. 16), s. 62(3) and Sch. 11 para. 1 for chargeable periods ending after 31 December 1986
- F97** Sch. 3 para. 2(3A) inserted by Finance Act 1980 (c. 48), s. 109(6) in relation to chargeable periods ending after 31 December 1979

**Modifications etc. (not altering text)**

- C86** See Finance Act 1982 (c. 39), s. 134 and Sch. 18; Finance Act 1986 (c. 41), s. 109
- C87** See Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 493 (subparagraph (f) replaced where s. 493(3)(4) applies)
- C88** See Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 493(5) for modification in certain circumstances

[<sup>F98</sup>2A (1) Paragraph 2 above shall have effect in accordance with this paragraph where the oil whose market value falls to be ascertained at any time in accordance with subparagraphs [<sup>F99</sup>(1) to (2D)] of that paragraph, or in accordance with those subparagraphs as modified by sub-paragraph (3) of that paragraph, consists of or includes gas.

- (2) Sub-paragraph [<sup>F99</sup>(2)(d)] of paragraph 2 above shall not apply to so much of the oil as consists of gas unless—
- it has been subjected to initial treatment before being disposed of or relevantly appropriated; or
  - it has, after being disposed of or relevantly appropriated, been subjected to initial treatment by or on behalf of the participator in question or by or on behalf of a person who is connected with him within the meaning of section [<sup>F100</sup>839] of the Taxes Act;

and where oil consisting of gas has, whether before or after being disposed of or relevantly appropriated, been subjected to initial treatment by or on behalf of the participator in question or by or on behalf of a person who is connected with him as aforesaid the appropriate initial treatment referred to in sub-paragraph [<sup>F99</sup>(2)(d)] of paragraph 2 above shall include the treatment to which it has been so subjected.

- (3) Where the initial treatment mentioned in sub-paragraph (2) above includes treatment in order to separate gas of one or more kinds which are transported and sold in normal commercial practice, the market value of the gas of each such kind which is separated shall be ascertained in accordance with sub-paragraphs [<sup>F99</sup>(1) to (2D)] of paragraph 2 as if that were the only oil whose market value fell to be ascertained at the time in question (with sub-paragraphs [<sup>F99</sup>(2)(e)] of paragraph 2 applying accordingly).
- (4) Where the oil consists of or includes natural gas within the meaning of the Energy Act 1976, it shall be assumed for the purposes of paragraph 2—
- [<sup>F101</sup>(a) that any authorisation granted under section 7 or 8 of the Gas Act 1986 for the supply of the gas under the contract mentioned in sub-paragraph (2) of that paragraph; and

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- (b) that no authorisation is required under those sections for the supply of the gas under that contract if no such authorisation is required for the supply of the gas].]

#### Textual Amendments

- F98** Sch. 3 para. 2A inserted by Finance Act 1980 (c. 48), s. 109(7) in relation to chargeable periods ending after 31 December 1979
- F99** Words substituted by Finance Act 1987 (c. 16), s. 62(3) and Sch. 11 para. 2 for chargeable periods ending after 31 December 1986
- F100** Figure substituted by Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), Sch. 29 para. 32
- F101** Sch. 3 para. 2A(4)(a)(b) substituted by Gas Act 1986 (c. 44), s. 67(1) and Sch. 7 para. 20

#### Modifications etc. (not altering text)

- C89** See Finance Act 1982 (c. 39), s. 134 and Sch. 18; Finance Act 1986 (c. 41), s. 109

#### *Aggregate market value of oil for purposes of section 2(5)*

- 3 (1) For the purposes of subsection (5) of section 2 of this Act the aggregate market value of any oil falling within paragraph (b) or (c) of that subsection shall be arrived at by ascertaining, for each calendar month in the chargeable period in question, the market value [<sup>F102</sup>at the material time] of so much, if any, of that oil as was—
- (a) in the case of oil falling within the said paragraph (b), delivered as there mentioned in that month; or
- (b) in the case of oil falling within the said paragraph (c), appropriated as there mentioned in that month,
- and, in either case, aggregating the market values so ascertained.
- (2) In this paragraph and elsewhere in this Part of this Act “calendar month” (where those words are used) means a month of the calendar year, [<sup>F102</sup>and “the material time”, in relation to a calendar month, means noon on the relevant day, that is to say—
- (a) for a month containing an odd number of days, the middle day of the month;
- (b) for a month containing an even number of days, the last day of the first half of the month].

#### Textual Amendments

- F102** Words repealed by Finance Act 1987 (c. 16), ss. 62(3), 72(7), Schs. 11 para. 3 and 16 Part X for chargeable periods ending after 31 December 1986

#### Modifications etc. (not altering text)

- C90** See Finance Act 1982 (c. 39), s. 134 and Sch. 18; Finance Act 1986 (c. 41), s. 109

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VALID FROM 03/05/1994

*[<sup>F103</sup> Definition of market value of light gases]*

**Textual Amendments**

**F103** Sch. 3: Crossheading and para. 3A inserted (3.5.1994) by 1994 c. 9, s. 236(1), **Sch. 23 para. 4** (with saving in s. 236(2))

<sup>F104</sup>3A(1) The market value of any light gases for the purposes of this Part of this Act is the price at which, having regard to all the circumstances relevant to the disposal or appropriation in question, light gases of that kind might reasonably have been expected to be sold under a contract of sale satisfying the conditions specified in sub-paragraph (2) below.

- (2) The conditions referred to in sub-paragraph (1) above are that—
- (a) the contract is for the sale of the gases at arm's length to a willing buyer;
  - (b) the contract requires the gases to have been subjected to appropriate initial treatment before delivery; and
  - (c) the contract requires the gases to be delivered—
    - (i) in the case of gases extracted in the United Kingdom, at the place of extraction; or
    - (ii) in the case of gases extracted from strata in the sea bed and subsoil of the territorial sea of the United Kingdom or of a designated area, at the place in the United Kingdom or another country at which the seller could reasonably be expected to deliver the gases or, if there is more than one such place, the one nearest to the place of extraction.
- (3) If the circumstances referred to in sub-paragraph (1) above are such that the price referred to in that sub-paragraph might reasonably be expected to include—
- (a) any such payments as are referred to in subsection (2) of section 114 of the Finance Act 1984 (treatment of certain payments relating to gas sales), or
  - (b) any capacity payments, as defined in subsection (5) of that section,
- section 114 of the Finance Act 1984 shall apply accordingly in relation to the notional contract specified in sub-paragraph (1) above as it applies in relation to an actual contract.
- (4) This paragraph has effect subject to sub-paragraphs (2) and (3) of paragraph 2A above.]

**Textual Amendments**

**F104** Sch. 3 para. 3A inserted (3.5.1994) by 1994 c. 9, s. 236(1), **Sch. 23 para. 4** (with saving in s. 236(2))

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*Oil delivered in place of royalties to be disregarded for certain purposes*

- 4 Oil delivered to the Secretary of State under the terms of a licence granted under the <sup>M20</sup>Petroleum (Production) Act 1934 shall be disregarded for the purposes of section 2(5) of this Act and for the purposes of the references in section 8(3) and (4) of this Act to a participator's share of the oil won and saved from an oil field in a chargeable period.

**Marginal Citations**

**M20** 1934 c. 36.

*Effect of transfer to an associated company of participator's rights etc. in connection with an oil field or relevant licence*

- 5 (1) This paragraph applies to any agreement or other arrangement between a participator in an oil field and a company associated with the participator whereby—
- (a) ownership of all or any of the participator's share of the oil won and saved from the field is transferred to the company; and
  - (b) the company obtains or assumes all or any of the participator's other rights, interests and obligations in connection with the field or any relevant licence.
- (2) As regards any chargeable period in which a participator in an oil field is a party to an arrangement to which this paragraph applies, the other party to the arrangement shall be treated for all purposes of this Part of this Act (except this paragraph) and for the purposes of [<sup>F105</sup>section 500 of the Taxes Act] as having been a participator in the field at all times when the actual participator was such a participator (including times before the arrangement was made), and shall be assessable and chargeable to tax and entitled to make any claim under this Part of this Act, and any deduction or claim under [<sup>F105</sup>section 500 of the Taxes Act], accordingly.
- (3) Where a participator in an oil field is or has been a party to an arrangement to which this paragraph applies then for all purposes of this Part of this Act—
- (a) anything done by or in relation to the participator in connection with the field or any relevant licence shall be treated as being or having been done by or, as the case may be, in relation to the other party to the arrangement; and
  - (b) all rights, interests or obligations of the participator in connection with the field or any relevant licence shall be treated as being or having been rights, interests or obligations of the other party.
- (4) Where a participator in an oil field is or has been a party to an arrangement to which this paragraph applies, then, if any tax or interest payable under this Part of this Act by the other party to the arrangement is not paid within thirty days after the date on which it becomes payable, the Board may by notice in writing require the participator to pay that tax or interest; and where such a notice is served on the participator, the tax or interest in question shall be payable by him forthwith, but without prejudice to the Board's right to recover it from the other party.
- (5) For the purposes of this paragraph "company" means any body corporate, and a participator in an oil field and another company are associated with one another if—



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- (a) the participator has control over or is under the control of the other company;  
or
  - (b) the participator and the other company are both under the control of the same person or persons;
- and in this sub-paragraph “control” has the meaning given by section [F<sup>106</sup>840] of the Taxes Act.

#### Textual Amendments

**F105** Words substituted (*retrospectively*) by Finance Act 1990 (c. 29, SIF 63:1), s. 89, Sch. 14 paras. 16, 19

**F106** Figure substituted by Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), Sch. 29 para. 32

#### Modifications etc. (not altering text)

**C91** See Finance Act 1981 (c. 35), s. 128(1) and Sch. 16 para. 14; Finance Act 1982 (c. 39), s. 139(6), Sch. 19 para. 20

#### *Oil owned by a person other than a participator in the oil field from which it was won*

- 6 (1) Where a proportion of a participator’s share in the oil won and saved from an oil field (as distinct from a specific quantity of oil comprised in that share) is owned by [F<sup>107</sup>a person (in this paragraph referred to as “the owner”) who is not a participator and] who acquired it (whether directly or indirectly) under an agreement to which paragraph 5 above does not apply, the following provisions of this paragraph shall have effect.
- (2) For the purposes of this Part of this Act the oil acquired by the owner under the agreement shall be treated in every case as having been disposed of to him by the participator otherwise than in a sale at arm’s length.
  - (3) Where any oil which the owner owns in right of the agreement is in pursuance of the agreement—
    - (a) delivered to the owner by the participator; or
    - (b) delivered to a third person by the participator acting on behalf of the owner, the delivery shall for the purposes of this Part of this Act be regarded as a delivery by the participator although he does not own the oil.
  - (4) This sub-paragraph applies to all such oil (if any) as, being owned by the owner in right of the agreement, is in any chargeable period delivered by the participator as mentioned in the preceding sub-paragraph and would accordingly, apart from the following sub-paragraph, fall to be brought into account under section 2(5)(b) of this Act in computing the assessable profit or allowable loss accruing to the participator in that period (in the following sub-paragraph referred to as “the relevant period”).
  - (5) If on a claim made by the participator within two months after the end of the relevant period—
    - (a) it is shown that some or all of the oil to which sub-paragraph (4) above applies has been disposed of by or on behalf of the owner crude in sales at arm’s length; and
    - (b) the Board are satisfied that the oil with respect to which it is so shown includes the whole of so much of the oil to which that sub-paragraph applies as has been so disposed of,

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then, in computing the assessable profit or allowable loss accruing to the participator in the relevant period, the oil with respect to which it is so shown shall be brought into account by reference to the price received or receivable for it by the owner instead of by reference to its market value.

**Textual Amendments**

**F107** Words substituted by [Finance Act 1977 \(c. 36\), s. 54\(2\)](#)

*[<sup>F108</sup> Effect of certain transactions between participators*

**Textual Amendments**

**F108** Sch. 3 para. 6A inserted by [Finance Act 1977 \(c. 36\), s. 54](#)

- 6A Where the whole or part of the share of a participator (“the transferor”) of oil won from an oil field became the share, or part of the share, of another participator (“the transferee”) in pursuance of an agreement between them under which the transferor undertook to remain responsible for carrying out the transferee’s obligations in connection with the field so far as they relate to the transferred share or part, then, for the purposes of this Part of this Act—
- (a) the shares of the transferor and the transferee of oil won from the field shall be taken to be the same as they would have been if the transfer had not occurred, and
  - (b) any oil comprised in the transferred share or part and taken up by or on the authority of the transferee in pursuance of the agreement shall be regarded as being disposed of and delivered to him by the transferor at the time when it is taken up.]

*Exclusion from section 2(4)(b) and (5)(d) of offshore oil  
 in transit to place of first landing in United Kingdom*

- 7 In computing the assessable profit or allowable loss accruing to a participator in a chargeable period from an oil field, the market value of any oil won as mentioned in section 3(1)(f) of this Act—
- (a) shall not be taken into account under section 2(4)(b) of this Act if and to the extent that at the end of the preceding chargeable period the oil was in the course of being transported to the place where it was first landed in the United Kingdom; and
  - (b) shall not be taken into account under section 2(5)(d) of this Act if and to the extent that at the end of the first-mentioned chargeable period the oil was in the course of being so transported.

*Certain subsidised expenditure to be disregarded*

- 8 (1) Expenditure shall not be regarded for any of the purposes of this Part of this Act as having been incurred by any person in so far as it has been or is to be met directly or indirectly by the Crown or by any government or public or local authority, whether in the United Kingdom or elsewhere, or by any person other than the first-mentioned

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person, <sup>F109</sup> unless it is so met by a grant made under Part I of the <sup>M21</sup> Industry Act 1972 or a grant made under an enactment of the Parliament of Northern Ireland or Measure of the Northern Ireland Assembly and declared by order of the Treasury under section 84 of the <sup>M22</sup> Capital Allowances Act 1968 to correspond to a grant made under the said Part I].

- (2) In considering, for the purposes of this paragraph, how far any expenditure has been or is to be met directly or indirectly by the Crown or by any authority or person other than the person incurring the expenditure, there shall be left out of account any insurance or compensation payable in respect of the loss or destruction of any asset.

#### Textual Amendments

**F109** Words repealed by [Finance Act 1982 \(c. 39\)](#), [ss. 137\(1\)\(7\), 157\(6\)](#) and Sch. 19 Part IX in respect of relevant expenditure incurred after 9 March 1982 where the grant concerned is paid after that date

#### Modifications etc. (not altering text)

**C92** See [Finance Act 1981 \(c. 35\)](#), [s. 118\(5\)](#)

#### Marginal Citations

**M21** 1972 c. 63.

**M22** 1968 c. 3.

#### *Election to have amounts mentioned in section 2(9)(b) and (c) spread*

- <sup>F1109</sup> (1) A participator in an oil field may by notice in writing to the Board elect—
- (a) that the relief for supplemented expenditure to be taken into account in computing the assessable profit or allowable loss accruing to him from the field in the chargeable period specified in the notice shall not exceed such amount as is so specified; and
  - (b) that any excess shall be dealt with in accordance with the following provisions of this paragraph.
- (2) Subject to sub-paragraphs (3) and (4) below, one-twentieth of any excess of the relief over the amount specified for the chargeable period in question shall be taken into account in computing the assessable profit or allowable loss accruing to the participator from the field in each of the next twenty chargeable periods.
- (3) A participator may, in the first notice given by him under sub-paragraph (1) above in respect of a field, elect that sub-paragraph (2) above shall have effect in relation to that and any subsequent notice given by him in respect of that field with the substitution for the denominator of the fraction and the number of chargeable periods of such number, being three, five, ten or fifteen, as is specified in the election.
- (4) A participator may by a notice in writing given to the Board and applying to any of the chargeable periods referred to in sub-paragraph (2) above before the last elect that so much of the excess as has not been taken into account in a previous chargeable period shall be taken into account in the period specified in the notice instead of partly in that period and partly in the subsequent periods.
- (5) Any notice under this paragraph shall be in such form as the Board may prescribe and shall be given within three months after the end of the chargeable period to which it

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relates or, if later, twenty-seven months after the end of the first chargeable period of the field.

- (6) Any tax charged or repayable in respect of the first four chargeable periods of an oil field in consequence of an election under this paragraph shall not carry interest under paragraph 15 or 16 of Schedule 2 to this Act in respect of any period before the date of the election.
- (7) In this paragraph “relief for supplemented expenditure” means the amount attributable to expenditure qualifying for supplement under paragraph (b)(ii) or (c) (ii) of section 2(9) of this Act which would, apart from any election under this paragraph, fall to be taken into account under paragraph (b) or (c) of section 2(9) in computing the assessable profit or allowable loss accruing to the participator from the field in the chargeable period in question; and the reference in this sub-paragraph to the amount attributable to expenditure qualifying for supplement as aforesaid includes the amount attributable to the expenditure itself as well as to the amount calculated by reference to it under the said paragraph (b)(ii) or (c)(ii).]

#### Textual Amendments

**F110** Sch. 3 para. 9 substituted by Finance Act 1981 (c. 35), s. 116(1) in relation to any chargeable period ending after 31 December 1979

[<sup>F111</sup>10 Where a participator has made an election under paragraph 9(1) above the reduction to be made in his case under section 8(1) of this Act for any chargeable period (whether or not that to which the election relates) shall not be greater than it would have been if he had made no such election.]

#### Textual Amendments

**F111** Sch. 3 para. 10 substituted by Finance Act 1981 (c. 35), s. 116(2) in relation to any chargeable period ending after 31 December 1979

#### Modifications etc. (not altering text)

**C93** See Finance Act 1981 (c. 35), s. 117(4)

#### *Restriction of amount of reduction under section 8(1)*

- 11 Where—
- (a) a claim under Schedule 5 or 6 to this Act is made after the relevant time; and
  - (b) the reduction which would, apart from this paragraph, fall to be made under subsection (1) of section 8 of this Act for any chargeable period is greater than it would have been if the expenditure and other amounts allowed on the claim had been claimed before and allowed at the relevant time,
- then, if the Board so direct, the reduction made under that subsection for that chargeable period shall be only what it would have been if the expenditure and other amounts allowed on the claim had been claimed before and allowed at the relevant time.

In this paragraph “the relevant time” means the end of twelve months from the end of the claim period to which the claim mentioned in sub-paragraph (a) above relates.

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## SCHEDULE 4

Sections 3 and 4.

### PROVISIONS SUPPLEMENTARY TO SECTIONS 3 AND 4

#### Modifications etc. (not altering text)

**C94** See Oil Taxation Act 1983 (c. 56), s. 3(6)

#### *Restrictions on expenditure allowable under section 3 or 4*

- 1 (1) Expenditure incurred by any person in the acquisition of an asset is not allowable under section 3 or 4 of this Act for an oil field if expenditure previously incurred by another person in acquiring, bringing into existence, or enhancing the value of that asset is allowable under that section for that field.

Section 4(13) of this Act applies to the preceding provisions of this sub-paragraph.

- (2) Sub-paragraph (1) above shall, with any necessary modifications, have effect in relation to expenditure incurred by a person—
- (a) in renting or hiring an asset or any interest in an asset; or
  - (b) for the provision of services or other business facilities of whatever kind; or
  - (c) for the grant or transfer to him of any right, licence or interest (other than an interest in an asset),

as it has effect in relation to expenditure incurred in the acquisition of, or of an interest in, an asset.

#### Modifications etc. (not altering text)

**C95** See Oil Taxation Act 1983 (c. 56), s. 5(4)

- 2 (1) Where a person has incurred expenditure in the acquisition of an asset in a transaction to which this paragraph applies, he shall be treated for the purposes of sections 3 and 4 of this Act as having incurred that expenditure only to the extent that it does not exceed expenditure (other than expenditure in respect of interest or any other pecuniary obligation incurred in obtaining a loan or any other form of credit) incurred [<sup>F112</sup>by another person in acquiring, bringing into existence, or enhancing the value of that asset] in a transaction to which this paragraph does not apply (or, if there has been more than one such transaction, the later or latest of them) [<sup>F113</sup>in acquiring, bringing into existence or enhancing the value of that asset].

Section 4(13) of this Act applies to the preceding provisions of this sub-paragraph.

- (2) This paragraph applies to any transaction between connected persons and to any transaction made otherwise than at arm's length; and for the purposes of this paragraph a person is connected with another person if [<sup>F114</sup>they are connected within the meaning of section [<sup>F115</sup>839] of the Taxes Act].

- [<sup>F116</sup>(3) The preceding provisions of this paragraph have effect (with any necessary modifications) in relation to expenditure incurred by a person in respect of—

- (a) the use of an asset, or

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*Changes to legislation: There are currently no known outstanding effects for the Oil Taxation Act 1975. (See end of Document for details)*

- (b) the provision of services or other business facilities of whatever kind in connection with the use, otherwise than by that person, of an asset, as they have effect in relation to expenditure incurred in the acquisition of, or of an interest in, an asset.]

**Textual Amendments**

- F112** Words repealed by [Oil Taxation Act 1983 \(c. 56\)](#), **ss. 5(6)**, **15(6)** and Sch. 6 in relation to expenditure incurred in the acquisition of an asset on or after 1 April 1983
- F113** Words inserted by [Oil Taxation Act 1983 \(c. 56\)](#), **s. 5(6)** in relation to expenditure incurred in the acquisition of an asset on or after 1 April 1983
- F114** Words substituted for Sch. 4 para. 2(2)(a)–(c) by [Finance \(No. 2\) Act 1979 \(c. 47\)](#), **s. 20(2)** in relation to expenditure claimed after 31 December 1978
- F115** Figure substituted by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), **Sch. 29 para. 32**
- F116** [Sch. 4 para. 2\(3\)](#) substituted by [Oil Taxation Act 1983 \(c. 56\)](#), **s. 5(6)** in relation to expenditure incurred in the acquisition of an asset on or after 1 April 1983

**Modifications etc. (not altering text)**

- C96** See [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), **s. 495**
- C97** See [Oil Taxation Act 1983 \(c. 56\)](#), **Sch. 2 para. 5** in relation to transactions to which Sch. 4 para. 2 applies

- 3 (1) This paragraph applies in the case of any oil field from which oil began to be won in commercial quantities before 13th November 1974.
- (2) Expenditure incurred before that date which, apart from this paragraph, would be allowable under section 3 or 4 of this Act for an oil field shall be so allowable only to the extent that it was incurred—
- (a) in connection with that field for one or more of the purposes mentioned in paragraphs (a) to (c) of section 3(1) of this Act; or
  - (b) in acquiring, bringing into existence, or enhancing the value of an asset used on or after that date in connection with the field.

**Modifications etc. (not altering text)**

- C98** See [Oil Taxation Act 1983 \(c. 56\)](#), **s. 3(6)**

*Disposal of long-term asset formerly used in connection with an oil field*

- 4 (1) Where an asset is used in connection with an oil field in circumstances such that section 4 of this Act applies to any expenditure incurred in acquiring, bringing into existence, or enhancing the value of that asset, then if—
- (a) the asset is disposed of for valuable consideration while in use in that connection or not more than two years after its use in that connection permanently ceases;
  - (b) the person making the disposal is either a participator in the field or a person connected with a participator;
  - (c) the person to whom the disposal is made is not a person connected with a participator; and

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- (d) the amount or value of the consideration received or receivable for the disposal is not less than the price which the asset might reasonably have been expected to fetch if sold in the open market at the time of the disposal, sub-paragraphs (2) to (4) below shall have effect.
- (2) If the disposal occurs without the asset permanently ceasing to be used in connection with the field, its use in that connection shall for the purposes of section 4 of this Act and the following provisions of this paragraph be deemed to have permanently ceased at the time of the disposal.
- (3) If the disposal takes place not later than the end of the claim period in which the use of the asset in connection with the field permanently ceases, the proportion of the expenditure allowable under section 4 of this Act for the relevant period (that is to say the period which, in relation to that claim period, is the relevant period for the purposes of subsection (7) of that section) or, if the claim period in question is the first relevant claim period (as defined in that section), the proportion of the expenditure so allowable for that claim period shall be computed under that section subject to the provisions of sub-paragraph (5) below.
- (4) If the disposal takes place after the end of the claim period in which the use of the asset in connection with the field permanently ceases, then, as regards the claim period in which the disposal takes place—
- (a) subsection (7) of section 4 of this Act shall have effect in relation to the asset as if its use in that connection had permanently ceased in that claim period (but so that for the purposes of subsections (5) and (6) of that section as applied by the said subsection (7) the asset shall not be treated as having been used in that connection at any time when it was not so used); and
- (b) the proportion of the expenditure allowable under that section for the relevant period (that is to say the period which, in relation to that claim period is the relevant period for the purposes of the said subsection (7)) shall be computed under that section subject to the provisions of sub-paragraph (5) below.
- (5) For the purposes of the computation mentioned in sub-paragraph (3) or (4) above, as the case may be—
- (a) the amount of the expenditure incurred in acquiring, bringing into existence, or enhancing the value of the asset which would otherwise fall to be taken into account shall be treated as reduced by the amount or value of the consideration received or receivable for the disposal (or, if equal to or smaller than the amount or value of that consideration, as reduced to nil); and
- (b) the asset's useful life shall be treated as having ended at the time of the disposal or, if the asset permanently ceased to be used in connection with the field before that time and was neither used nor available for use by anyone in the interval between its permanently ceasing to be so used and the time of the disposal, at the time when it permanently ceased to be so used.
- (6) In any case where, for different parts of the expenditure incurred in the case of an asset as mentioned in sub-paragraph (1) above, different proportions thereof would be allowable under section 4 of this Act apart from sub-paragraph (5)(a) above (including a case where, for some but not all of that expenditure, the proportion thereof so allowable would be 100 per cent.), the amount or value of the consideration received or receivable for the disposition shall for the purposes of this paragraph be

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treated as referable to those different parts in such proportions as may be just and reasonable.

- (7) Section 4(13) of this Act applies to the preceding provisions of this paragraph; and those provisions shall, with any necessary modifications, apply in relation to a disposal of an interest in an asset as they apply in relation to a disposal of an asset.
- (8) Section [F117839] of the Taxes Act (connected persons) shall apply for the purposes of this paragraph.

#### Textual Amendments

**F117** Figure substituted by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), **Sch. 29 para. 32**

#### Modifications etc. (not altering text)

**C99** See [Oil Taxation Act 1983 \(c. 56\)](#), **s. 1(4)**

**C100** See [Oil Taxation Act 1983 \(c. 56\)](#), **s. 5(7)**

5

F118

#### Textual Amendments

**F118** [Sch. 4 para. 5](#) repealed by [Oil Taxation Act 1983 \(c. 56\)](#), **s. 15(6)** and [Sch. 6](#)

*Provisions supplementary to section 4(9) of this Act and paragraph 5(2) above*

- 6 (1) Where in the case of an oil field, the total amount of the expenditure allowable under sections 3 and 4 of this Act on a claim for a claim period—
- (a) is, under one or more of the relevant provisions, reduced to nil; and
  - (b) would, under one or more of those provisions, have fallen to be reduced by a further amount if the total amount of that expenditure had been sufficient to enable the maximum reduction thereunder to be made,
- that further amount shall be apportioned between the participators in proportions corresponding to what for that claim period would be their respective shares of any expenditure falling within section 2(9)(b)(i) of this Act; and in computing the assessable profit or allowable loss accruing to any participator in the earliest chargeable period which ends after the end of that claim period, the aggregate mentioned in section 2(4)(a) of this Act shall be increased by an amount equal to the amount apportioned to him under this paragraph.
- (2) In this paragraph “the relevant provisions” means section 4(9) of this Act and paragraph 5(2) above.

#### Modifications etc. (not altering text)

**C101** See [Oil Taxation Act 1983 \(c. 56\)](#), **s. 3(6)**



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*Insurance or compensation in respect of loss or destruction  
of long-term asset formerly used in connection with oil field*

- 7 (1) Where, in consequence of the loss or destruction at any time within the period mentioned in sub-paragraph (1) of paragraph 4 above of such an asset as is mentioned in that sub-paragraph, any insurance or compensation in respect of the loss or destruction is receivable by a participator in the field or a person connected with a participator, paragraphs 4 and 6 above shall apply as if at that time the person by whom the insurance or compensation is receivable had disposed of the asset or his interest in it for an amount equal to the insurance or compensation.
- (2) Section [F119839] of the Taxes Act (connected persons) shall apply for the purposes of this paragraph.

**Textual Amendments**

**F119** Figure substituted by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), [Sch. 29 para. 32](#)

*Assets acquired jointly by participators in different oil fields*

- 8 Where an asset was acquired jointly by persons who are participators in two or more different oil fields (whether or not any one of those persons is a participator in more than one of those fields), then in determining for the purposes of section 4 of this Act, in the case of any one of those fields, the use which has been, or which it is reasonable to assume will be, made of the asset otherwise than in connection with that field, no regard shall be had to its use or possible use in connection with any other of those fields.

**Modifications etc. (not altering text)**

**C102** See [Oil Taxation Act 1983 \(c. 56\)](#), [s. 3\(6\)](#)

SCHEDULE 5

Sections 3 and 4.

ALLOWANCE OF EXPENDITURE (OTHER THAN ABORTIVE EXPLORATION EXPENDITURE)

*Claim periods and claims*

- 1 (1) In relation to any oil field—
- (a) the first claim period is whichever of the following periods the responsible person elects, namely the period ending at the end of June following the determination of the field or the period ending at the end of December following that determination (including, in either case, an unlimited time prior to that determination);
  - (b) each subsequent claim period is whichever of the following periods the responsible person elects, namely the period of six months or the period of twelve months from the end of the preceding claim period:

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Provided that unless and until the responsible person elects the period of six months from the end of any particular claim period, the claim period next after that claim period shall be taken to be the period of twelve months from the end of it.

- (2) An election under this paragraph must be made by notice in writing to the Board.
- 2 (1) A claim under this Schedule for the allowance of any expenditure allowable under section 3 or 4 of this Act for an oil field must be made by the responsible person to the Board and, subject to the provisions of this Part of this Act, must be made in a claim or claims for the claim period in which the expenditure is incurred, but may not be made before the determination of the field or more than six years after the end of the claim period in which the expenditure is incurred.
- (2) A claim under this Schedule for the allowance of any expenditure allowable under section 3 or 4 of this Act for an oil field which was incurred by a person before he became a participator in the field must be made in a claim for the claim period in which he became a participator.
- (3) A claim under this Schedule shall not include any expenditure allowable under section 3 or 4 of this Act which has been included in a claim under Schedule 6 to this Act.
- (4) A claim must state—
- (a) what part (if any) of the expenditure is claimed as qualifying for supplement under section 2(9)(b)(ii) of this Act; and
  - (b) the shares in which, in accordance with their respective interests in the oil field, the participators propose to divide between them, for the purposes of paragraph (b) of section 2(9) of this Act, the expenditure allowed on the claim and the amount which will arise under sub-paragraph (ii) of that paragraph if some or all of that expenditure is allowed on the claim as so qualifying.
- (5) Where a claim for the allowance of any expenditure under section 4 of this Act for an oil field was made in relation to any asset for the claim period which, in the case of that asset, is the first relevant claim period (as defined in that section), then any claim with respect to that field made under this Schedule for any subsequent claim period must give all such information as is relevant for the purpose of enabling the Board to carry into effect the provisions of that section in relation to that asset.
- (6) A claim must be in such form as the Board may prescribe and must include a declaration that all statements contained in it are correct to the best of the knowledge and belief of the person making the claim.

**Modifications etc. (not altering text)**

**C103** See Oil Taxation Act 1983 (c. 56), s. 3(6)

**C104** See Finance Act 1982 (c. 39), s. 135(1)(c) in relation to any case where oil was won before the date of determination

**C105** See Finance (No. 2) Act 1979 (c. 47), s. 19(4) where more than one rate of uplift applies; Finance Act 1981 (c. 35), s. 111(6)

**C106** See Oil Taxation Act 1983 (c. 56), s. 5(7)

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VALID FROM 25/07/1991

<sup>F120</sup>2A(1) This paragraph applies where—

- (a) a claim is made under this Schedule for the allowance of any expenditure which is incurred after 30th June 1991 and is allowable for an oil field by virtue of paragraph (i) or paragraph (j) of subsection (1) of section 3 of this Act (in this paragraph referred to as “the abandonment expenditure”);
- (b) a participator (in this paragraph referred to as “the defaulter”) has defaulted on his liability under a relevant agreement to make a payment towards the abandonment expenditure;
- (c) at the end of the claim period for which the claim is made, the defaulter still has an interest in the oil field which falls to be taken into account in determining, under paragraph 2(4)(b) above, the shares of each of the participators in the abandonment expenditure;
- (d) the participators (other than any who have defaulted as mentioned in paragraph (b) above) have taken all reasonable steps by way of legal remedy to secure that the defaulter meets the whole of the liability referred to in paragraph (b) above and to enforce any guarantee or other security provided in respect of that liability; and
- (e) one or more of those participators has paid an amount in or towards meeting the whole or any part of the payment for which the defaulter was liable as mentioned in paragraph (b) above.

(2) For the purposes of this paragraph, a participator is to be regarded as defaulting on his liability to make a payment as mentioned in sub-paragraph (1)(b) above if he has failed to make the payment in full on the date on which it becomes due under the relevant agreement and either—

- (a) on the sixtieth day after that due date any of the payment remains unpaid; or
- (b) before that sixtieth day the participator’s interest in a relevant licence becomes liable under the relevant agreement to be sold or forfeited, in whole or in part, by reason of his failure to meet his liability.

(3) In this paragraph—

- (a) “relevant agreement” has the meaning given by section 104(5)(a) of the Finance Act 1991;
- (b) “the sum in default” means so much of the payment referred to in sub-paragraph (1)(b) above as has neither been paid by the defaulter nor met by virtue of any such guarantee or security as is referred to in sub-paragraph (1)(d) above;
- (c) the “default payment” means the amount which the qualifying participator has paid as mentioned in sub-paragraph (1)(e) above; and
- (d) a “qualifying participator” means a participator who falls within sub-paragraph (1)(e) above and who is not connected with the defaulter, applying section 839 of the Taxes Act (connected persons) for the purposes of this paragraph.

(4) For the purposes of paragraphs 2(4)(b) and 3(1)(c) of this Schedule, there shall be attributed to a qualifying participator (as an addition to the share of the abandonment expenditure referable to his own interest in the oil field) whichever is the less of—

- (a) the default payment; and

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- (b) subject to sub-paragraph (5) below, that portion of the sum in default which, in accordance with the relevant agreement, the qualifying participator is required to meet in the event of a failure by the defaulter to meet his liability to pay in full the payment referred to in sub-paragraph (1)(b) above.
- (5) If, in the case of any oil field, there are only two participators and one of them is the defaulter, the portion referred to in sub-paragraph (4)(b) above is the whole.
- (6) Where this paragraph applies, account shall, in the first instance, be taken under paragraph 2(4)(b) above of the whole of the defaulter's interest in the oil field in determining the share of the abandonment expenditure which, apart from sub-paragraph (4) above, is to be attributed to each of the other participators; but the amount of the abandonment expenditure which, apart from this paragraph, would be attributed to the defaulter by reference to his interest in the oil field shall be reduced (or, as the case may be, extinguished) by deducting therefrom any expenditure attributed to the other participators under sub-paragraph (4) above.]

#### Textual Amendments

**F120** Sch. 5 para. 2A inserted by Finance Act 1991 (c. 31, SIF 63:1), s. 107(2).

#### Modifications etc. (not altering text)

**C107** Sch. 5 para. 2A definitions applied by Finance Act 1991 (c. 31, SIF 63:1), s.108(1).

- 3 (1) The Board shall by notice in writing to the responsible person inform him of their decision on the claim, stating in the notice—
- (a) the amount of the expenditure allowed by them on the claim;
  - (b) the amount, if any, of that expenditure allowed by them on the claim as qualifying for supplement under section 2(9)(b)(ii) of this Act; and
  - (c) the shares determined by the Board to be the shares in which, in the opinion of the Board, the amount stated under (a) above or, as the case may be, the aggregate of that amount and an amount equal to the relevant percentage of the amount stated under (b) above, is divisible between the participators for the purposes of section 2(9)(b) of this Act;
- and where the decision relates to part only of the expenditure claimed, or claimed as so qualifying, the Board shall give a further notice or notices in relation to the remainder.
- (2) In this paragraph “the relevant percentage” means the percentage mentioned in the said section 2(9)(b)(ii).

#### Modifications etc. (not altering text)

**C108** See Finance (No. 2) Act 1979 (c. 47), s. 19(4) where more than one rate of uplift applies; Finance Act 1981 (c. 35), s. 111(6)

**C109** See Finance (No. 2) Act 1979 (c. 47), s. 19 where more than one rate of uplift applies

- 4 If, in a case where sub-paragraph (5) of paragraph 2 above requires a claim made for a particular claim period to give all such information as is relevant for the purpose there mentioned in relation to an asset, a claim satisfying the requirements of that sub-paragraph is not made within twelve months after the end of that period, then, in carrying into effect the provisions of section 4 of this Act in relation to that asset for

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that claim period, the Board may proceed according to the best of their judgment, and may make any adjustments under any of the provisions mentioned in paragraph 6(2) of Schedule 4 to this Act accordingly.

**Modifications etc. (not altering text)**

**C110** See Oil Taxation Act 1983 (c. 56), s. 5(7)

*Appeals*

- 5 (1) If—
- (a) the amount or total of the amounts stated under sub-paragraph (1)(a) of paragraph 4 above in the notice or notices given by the Board under that paragraph on a claim, or the amount or total of the amounts so stated under sub-paragraph (1)(b) of that paragraph, is less than the amount claimed; or
  - (b) the shares so stated under sub-paragraph (1)(c) of that paragraph in the notice or latest of the notices so given differ from the shares stated under paragraph 2(4)(b) above in the claim,
- the responsible person may by notice in writing given to the Board not more than three years after the making of the claim appeal to the Special Commissioners; but the bringing of an appeal under this paragraph shall not affect the operation of any notice so given by the Board.
- (2) On an appeal against a decision on a claim brought on the ground mentioned in sub-paragraph (1)(b) above, and in any proceedings arising out of such an appeal, any participator in the oil field to which the claim relates shall be entitled to appear and be heard.
- (3) An appeal against a decision on a claim may at any time be abandoned by a notice in writing given to the Board by the responsible person.
- (4) On an appeal against a decision on a claim, the Special Commissioners may vary the decision appealed against whether or not the variation is to the advantage of all or any of the participators in the oil field to which the claim relates.

**Modifications etc. (not altering text)**

**C111** See Finance (No. 2) Act 1979 (c. 47), s. 19 where more than one rate of uplift applies

- 6 (1) Where the responsible person gives notice of appeal against a decision on a claim on one or both of the grounds mentioned in paragraph 5(1)(a) above and, before the appeal is determined by the Special Commissioners, the Board and the responsible person agree on—
- (a) the amount of the expenditure that ought to be allowed on the claim; or
  - (b) the amount, if any, of the expenditure claimed which ought to be so allowed as qualifying for supplement under section 2(9)(b)(ii) of this Act,
- the appropriate amount (if any) of the expenditure claimed or, as the case may be, claimed as so qualifying shall be treated for the purposes of this Part of this Act as having been allowed by the Board on the claim, and as having been so allowed on the date on which the notice of appeal was given.

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For the purposes of this sub-paragraph the appropriate amount (if any) of the expenditure claimed or, as the case may be, claimed as so qualifying, is an amount thereof equal to the excess, if any, of the amount so agreed on over the corresponding amount or the total of the corresponding amounts allowed by the notice or notices previously given by the Board under paragraph 3 above.

- (2) Where the responsible person gives notice of appeal against a decision on a claim on the ground mentioned in paragraph 5(1)(b) above and, before the appeal is determined by the Special Commissioners, the Board and the responsible person agree on the shares in which the amount of any expenditure allowed on the claim, or so allowed as qualifying for supplement under section 2(9)(b)(ii) of this Act, ought to be divided between the participators for the purposes of section 2(9)(b) of this Act, the shares so agreed on shall be deemed to be the shares stated in any notice previously given by the Board under paragraph 3 above on the claim, and shall apply in the case of any part of the expenditure claimed, or claimed as so qualifying, which is by virtue of this or the following paragraph treated as having been allowed on the claim;
- (3) Where the Board and the responsible person agree on the matter mentioned in sub-paragraph (1)(a), sub-paragraph (1)(b) or sub-paragraph (2) above in the circumstances there mentioned, the corresponding ground of appeal shall be treated as having been abandoned; and where by virtue of this sub-paragraph all the grounds of the appeal fall to be so treated, the appeal itself shall be treated as having been abandoned.

**Modifications etc. (not altering text)**

C112 See Finance (No. 2) Act 1979 (c. 47), s. 19 where more than one rate of uplift applies

- 7 (1) Where on an appeal under paragraph 5 above the Special Commissioners determine that any amount or part of an amount in dispute is allowable under section 3 or 4 of this Act or qualifies for supplement under section 2(9)(b)(ii) of this Act, the following provisions of this paragraph shall apply;
  - (2) Subject to paragraph 8(2) below, the said amount or part shall be treated for the purposes of this Part of this Act as having been allowed on the claim to which the appeal relates, and as having been so allowed on the date on which the notice of appeal was given.
  - (3) There shall be made in any computation made under section 2 of this Act, and in any assessment to tax or determination, all such adjustments as are necessary in consequence of the determination of the Special Commissioners.

**Modifications etc. (not altering text)**

C113 See Oil Taxation Act 1983 (c. 56), s. 3(6)

C114 See Finance (No. 2) Act 1979 (c. 47), s. 19 where more than one rate of uplift applies

- 8 (1) Where—
  - (a) a case for the opinion of the court is stated under section 56 of the <sup>M23</sup>Taxes Management Act 1970 (as applied by paragraph 1 of Schedule 2 to this Act)

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in respect of a determination by the Special Commissioners on an appeal under paragraph 5 above; and

- (b) in the proceedings on the case so stated, or in any proceedings arising out of those proceedings, any matter which was determined by the Special Commissioners on that appeal is finally determined otherwise than in accordance with their determination on that appeal,

the following provisions of this paragraph shall apply.

- (2) Any expenditure allowable under section 3 or 4 of this Act, which, if the decision of the Board on the claim to which the appeal under paragraph 5 above related had been in accordance with the final determination of that matter, would have been allowed by that decision, or allowed by it as qualifying for supplement under section 2(9)(b)(ii) of this Act, shall be treated for the purposes of this Part of this Act as having been allowed by the Board on the claim to the extent that it has not been previously allowed on the claim, and as having been so allowed to that extent on the date on which the original notice of appeal was given under paragraph 5 above.
- (3) There shall be made in any computation made under section 2 of this Act and in any assessment to tax or determination all such adjustments or further adjustments as are necessary in consequence of the final determination.
- (4) Any tax which becomes payable in consequence of any adjustment made under sub-paragraph (3) above in an assessment for a chargeable period shall carry interest at the [<sup>F121</sup>rate applicable under section 178 of the Finance Act 1989] from [<sup>F122</sup>two months] after the end of that period to the date of payment.
- (5) For the purposes of this paragraph a matter shall not be deemed to be finally determined in any such proceedings as are mentioned in sub-paragraph (1)(b) above until a determination thereof made in any such proceedings can no longer be varied or overruled by the order of any court.

#### Textual Amendments

**F121** Words substituted by [Finance Act 1989 \(c. 26\), s. 179\(1\)\(4\)](#) and S.I. 1989 No. 1298 (C. 44) for periods beginning on or after 18 August 1989

**F122** Words substituted by [Petroleum Revenue Tax Act 1980 \(c. 1, SIF 63:1\), s. 2](#) in relation to tax charged for any period ending on or after 31 December 1979

#### Modifications etc. (not altering text)

**C115** See [Oil Taxation Act 1983 \(c. 56\), s. 3\(6\)](#)

**C116** A rate of 12 per cent. prescribed by S.I. 1979 No. 1687 was extended to Sch. 5 para. 8(4) by [Petroleum Revenue Tax Act 1980 \(c. 1, SIF 63:1\), s. 2\(3\)](#) from 1 January 1980, reduced to 8 per cent. by S.I. 1982 No. 1587 from 1 December 1982 and increased to 11 per cent. by S.I. 1985 No. 563 from 1 May 1985. See also S.I. 1989 No. 1297 for regulations made and interest rates set under [Finance Act 1989 \(c. 26\), s. 178](#)

#### Marginal Citations

**M23** 1970 c. 9.

- [<sup>F123</sup>9] (1) If, within the period of three years commencing with the date on which notice of a decision of the Board under paragraph 3 above was given to the responsible person for an oil field, it appears to the Board that the relevant amount was incorrectly stated in the notice, the Board may before the expiry of that period serve on the responsible

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Person a notice stating what appears to the Board to be the correct amount (referred to below as “the notice of variation”).

[ In any case falling within sub-paragraph (1B) below, sub-paragraph (1) above shall  
 F124(1A) have effect—

- (a) with the substitution for the words “within the period of three years commencing with” of the words “at any time after”; and
- (b) with the omission of the words “before the expiry of that period”.

(1B) The cases referred to in sub-paragraph (1A) above are those where—

- (a) the incorrect statement of the relevant amount in the notice of the decision mentioned in sub-paragraph (1) above was an over-statement of that amount; and
- (b) that over-statement was, in whole or in part, referable to an error in a statement or declaration made in connection with the claim; and
- (c) at least one of the conditions in sub-paragraph (1C) below is fulfilled with respect to that error.

(1C) The conditions referred to in sub-paragraph (1B)(c) above are—

- (a) that the error was attributable, in whole or in part, to the fraudulent or negligent conduct of the responsible person or a person acting on his behalf;
- (b) that paragraph (a) above does not apply but, on the error coming to the notice of the person by whom the statement or declaration was made or a person acting on his behalf, the error was not remedied without unreasonable delay; and
- (c) that paragraph (a) above does not apply but, on the error coming to the notice of any person who subsequently becomes the responsible person, the error was not remedied without unreasonable delay.]

(2) In this paragraph “the relevant amount”, in relation to a notice of a decision on a claim under paragraph 3 above, means any one or more of the following—

- (a) the amount of expenditure allowed on the claim;
- (b) the amount of that expenditure allowed as qualifying for supplement under section 2(9)(b)(ii) of this Act;
- (c) where different percentages were stated in that notice to apply to different parts of that expenditure for the purpose of calculating the supplement, each of those parts of that expenditure.

[ In any case where—

- F125(2A)
- (a) the relevant amount which was incorrectly stated is a part of any expenditure falling within paragraph (c) of sub-paragraph (2) above (in this sub-paragraph referred to as a “paragraph (c) amount”), and
  - (b) under sub-paragraph (1B)(a) above the question arises whether the incorrect statement was an over-statement,

that question shall be determined by comparing the total amount which, in accordance with the notice of decision containing the incorrect statement, was brought into account under section 2(9)(b)(ii) of this Act with the total amount which would have been so brought into account if the paragraph (c) amounts stated in that notice had been correct]



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- (3) The responsible person may, by notice in writing given to the Board not more than thirty days after the notice of variation was served on him, appeal to the Special Commissioners against the notice of variation.
- (4) A notice of appeal under sub-paragraph (3) shall state the grounds on which the appeal is brought.
- (5) An appeal under this paragraph may at any time be abandoned by notice in writing given to the Board by the responsible person.
- (6) A notice of variation may be withdrawn at any time before it becomes effective.
- (7) In any case where—
  - (a) the responsible person gives notice of appeal against a notice of variation, and
  - (b) before the appeal is determined by the Special Commissioners, the Board and the responsible person agree as to what the relevant amount ought to be, the notice of variation shall have effect subject to such modifications as may be necessary to give effect to that agreement; and thereupon the appeal shall be treated as having been abandoned.
- (8) On an appeal against a notice of variation the Special Commissioners may vary the notice, quash the notice or dismiss the appeal; and the notice may be varied whether or not the variation is to the advantage of all or any of the participators in the oil field in question.
- (9) Where a notice of variation relating to a decision on a claim becomes effective, the relevant amount shall be taken for the purposes of this Part of this Act as having been reduced or increased, as the case may require, on the date on which notice of the decision was given, by such amount as may be necessary to give effect to that notice, and the Board may make such computations under section 2 of this Act and such assessments or determinations or such amendments of assessments or determinations as may be necessary in consequence of that reduction or increase.
- (10) A notice of variation becomes effective for the purposes of this paragraph either—
  - (a) on the expiry of the period during which notice of appeal against the notice of variation may be given to the Special Commissioners under sub-paragraph (3) above without such notice of appeal being given; or
  - (b) where such notice of appeal is given, when the notice of variation can no longer be varied or quashed by the Special Commissioners or by the order of any court.

[ In a case falling within sub-paragraph (1B) above, this paragraph has effect in relation <sup>F126</sup>(11) to notices of decisions of the Board under paragraph 3 above whenever given; and, in any other case, this paragraph has effect in relation to such notices given after 15th March 1983.]]

#### Textual Amendments

**F123** Sch. 5 para. 9 added by [Finance Act 1983 \(c. 49\)](#), s. 40(1)

**F124** Sch. 5 para. 9(1A)–(1C) inserted by [Finance Act 1990 \(c. 29, SIF 63:1\)](#), s. 122(2)

**F125** Sch. 5 para. 9(2A) inserted by [Finance Act 1990 \(c. 29, SIF 63:1\)](#), s. 122(3)

**F126** Sch. 5 para. 11 substituted by [Finance Act 1990 \(c. 29, SIF 63:1\)](#), s. 122(4)

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**Modifications etc. (not altering text)**

**C117** See Oil Taxation Act 1983 (c. 56), s. 14 in relation to the re-opening of decisions for claim periods ending on or after 30 June 1982

**C118** Sch. 5 para. 9 modified (3.5.1994) by 1994 c. 9, ss. 231, 232(8)(a), 234, Sch. 22 paras. 9(4), 10, 11

SCHEDULE 6

Sections 3 and 4.

ALLOWANCE OF EXPENDITURE (OTHER THAN ABORTIVE  
EXPLORATION EXPENDITURE) ON CLAIM BY PARTICIPATOR

- 1
- (1) A claim for the allowance of any expenditure allowable under section 3 or 4 of this Act for an oil field may be made to the Board under this Schedule by the participator who incurred it (instead of under Schedule 5 to this Act by the responsible person for that field) if the participator satisfies the Board that, for reasons of trade secrecy, it would be unreasonable for him to have to provide the responsible person with the information necessary for the making of a claim under that Schedule.
  - (2) A claim by a participator under this Schedule for the allowance of any such expenditure incurred by him must, subject to the provisions of this Part of this Act, be made in a claim or claims for the claim period in which the expenditure is incurred, but may not be made before the determination of the field or more than six years after the end of the claim period in which the expenditure is incurred.
  - (3) A claim by a participator under this Schedule for the allowance of any such expenditure incurred by him before he became a participator in the field must be made in a claim for the claim period in which he became a participator.

**Modifications etc. (not altering text)**

**C119** See Oil Taxation Act 1983 (c. 56), s. 3(6)

**C120** See Finance Act 1982 (c. 39), s. 135(1)(c) in relation to any case where oil was won before the date of determination

- 2
- The provisions of Schedule 5 to this Act specified in the first column of the following Table shall apply in relation to a claim under this Schedule as they apply in relation to a claim under that Schedule subject to any modifications specified in the second column of that Table and with the substitution, for references to the responsible person, of references to the participator by whom the claim under this Schedule is made and, for references to section 2(9)(b)(ii) of this Act, of references to section 2(9)(c)(ii) of this Act.

TABLE

*Provisions applied*

*Modifications*

**Paragraph**

**Status:** Point in time view as at 01/02/1991. This version of this Act contains provisions that are not valid for this point in time.

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2(3)	For the reference to this Schedule substitute a reference to Schedule 5 to this Act.
2(4)	Omit paragraph (b).
2(5)	
2(6)	
3(1)	Omit paragraph (c).
4	
5(1)	Omit paragraph (b).
5(3)	
5(4)	For the reference to all or any of the participators substitute a reference to the participator by whom the claim is made.
6(1)	
6(3)	Omit the reference to paragraph 6(2).
7	
8	
9	[ <sup>F127</sup> Omit sub-paragraph (1C)(c).]

#### Textual Amendments

**F127** Words expressed to be inserted by Finance Act 1990 (c. 29, SIF 63:1), s. 122(5)

## SCHEDULE 7

Section 5.

### ALLOWANCE OF ABORTIVE EXPLORATION EXPENDITURE

- 1 (1) A claim for the allowance, in connection with an oil field,
- [<sup>F128</sup>(a) of any abortive exploration expenditure allowable under section 5 of this Act, or
  - (b) of any exploration and appraisal expenditure allowable under section 5A of this Act], [<sup>F129</sup>or]
  - [<sup>F130</sup>(c) of any research expenditure allowable under section 5B of this Act]
- in the case of a participator in that field must be made by the participator to the Board, . . . <sup>F131</sup>
- (2) Where a claim under this Schedule has been made and the participator by whom it was made subsequently discovers that an error or mistake has been made in the claim, he may make a supplementary claim . . . <sup>F131</sup>

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*Changes to legislation:* There are currently no known outstanding effects for the Oil Taxation Act 1975. (See end of Document for details)

- (3) The provisions of Schedule 5 to this Act specified in the first column of the following Table shall apply in relation to a claim under this Schedule as they apply in relation to a claim under that Schedule, subject to any modifications specified in the second column of that Table and with the substitution, for references to the responsible person, of references to the participator by whom the claim under this Schedule is made and, for references to section 3 or 4 of this Act, of references to section 5 <sup>[F132]</sup> or, as the case may be, section 5A <sup>[F133]</sup> or section 5B]] of this Act.

TABLE

<i>Provisions applied</i>	<i>Modifications</i>
<b>Paragraph</b>	
2(6)	
3(1)	Omit paragraphs (b) and (c).
5(1)	Omit the words from “or the amount” to “(1)(b) of that paragraph” and paragraph (b).
5(3)	
5(4)	For the reference to all or any of the participators substitute a reference to the participator by whom the claim is made.
6(1)	For “one or both of the grounds” substitute “ the ground ”, and omit paragraph (b) and the words “or, as the case may be, claimed as so qualifying” (wherever occurring).
6(3)	Omit “sub-paragraph (1)(b) or sub-paragraph (2)”, and for the words from “the corresponding” to “itself” substitute “ the appeal ”.
7	In sub-paragraph (1), omit the words from “or qualifies” to “2(9)(b)(ii) of this Act”.
8	In sub-paragraph (2), omit the words from “or allowed by it” to “section 2(9)(b)(ii) of this Act”.
<sup>[F134]</sup> 9]	<sup>[F134]</sup> <sup>[F135]</sup> In sub-paragraph (1C) omit paragraph (c)]. In sub-paragraph (2) omit paragraphs (b) and (c) <sup>[F136]</sup> omit sub-paragraph (2A)], in sub-paragraph (8) for the reference to all or any of the participators substitute a reference to the participator by whom the claim is made and in sub-paragraph (11) for “after 15th March

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1983” substitute “ on or after 17th  
March 1987 ”.]

#### Textual Amendments

- F128** Sch. 7 para. 1(1)(a)(b) substituted for words by Finance Act 1983 (c. 49), s. 37(2) and Sch. 8 Part II para. 6(1)
- F129** Word inserted by Finance Act 1987 (c. 16), s. 64(2) and Sch. 13 Part II para. 5
- F130** Sch. 7 para. 1(1)(c) inserted by Finance Act 1987 (c. 16), s. 64(2) and Sch. 13 Part II para. 5
- F131** Words repealed by Finance Act 1983 (c. 49), ss. 37(4), 48(5) and Sch. 10 Part III and deemed always to have been omitted
- F132** Words inserted by Finance Act 1983 (c. 49), s. 37(2) and Sch. 8 Part II para. 6(2)
- F133** Words inserted by Finance Act 1987 (c. 16), s. 64(2) and Sch. 13 Part II para. 5
- F134** Words added by Finance Act 1987 (c. 16, SIF 63:1), s. 67
- F135** Words inserted by Finance Act 1990 (c. 29, SIF 63:1), s. 122(6)(a)
- F136** Words inserted by Finance Act 1990 (c. 29, SIF 63:1), s. 122(6)(b)

## SCHEDULE 8

Section 6.

### ALLOWANCE OF UNRELIEVABLE FIELD LOSS

#### Modifications etc. (not altering text)

- C121** See also Finance Act 1982 (c. 39), s. 139(6) and Sch. 19 para. 17 as regards repayment of APRT

#### *Reference and determination of question of abandonment of oil field*

- 1 Where it appears to the responsible person for an oil field that the winning of oil from the field has permanently ceased he may by notice in writing given to the Board refer to them for their decision the question whether the winning of oil from that field has permanently ceased.
- 2 (1) The Board shall, by notice in writing given to the responsible person, inform him of their decision on the question and, if their decision is that the winning of oil has so ceased, shall state the date which they are satisfied is that on which the winning of oil from the field in question ceased.
- (2) The responsible person shall, within one month of his receiving a notice under sub-paragraph (1) above informing him of the Board’s decision, furnish a copy of that notice to every person who was at any time a participator in the field in question.
- 3 (1) The responsible person may appeal to the Special Commissioners against the Board’s decision by notice in writing given to the Board within three months of his receiving the notice under paragraph 2(1) above informing him thereof.
- (2) An appeal under sub-paragraph (1) above may at any time be abandoned by notice in writing given to the Board by the responsible person.

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*Claims by participators for allowance of unrelievable field losses*

- 4 (1) A claim for the allowance, in connection with an oil field, of any unrelievable field loss allowable under section 6 of this Act in the case of a participator in that field must be made by the participator to the Board and must be made within six years of the later of the following dates, that is to say the date of the decision (whether of the Board or on appeal from the Board) that the winning of oil from the oilfield in the case of which the loss accrued has permanently ceased, and the date of the determination under Schedule 1 to this Act of the last-mentioned field.
- (2) Where a claim under this Schedule has been made and the participator by whom it was made subsequently discovers that an error or mistake has been made in the claim, he may make a supplementary claim within the time allowed for making the original claim.
- (3) The provisions of Schedule 5 to this Act specified in the first column of the Table set out in paragraph 1(3) of Schedule 7 to this Act shall apply in relation to a claim under this Schedule as they apply in relation to a claim under the said Schedule 5, subject to any modifications specified in the second column of that Table and with the substitution, for references to the responsible person, of references to the participator by whom the claim under this Schedule is made, for references to the claiming or allowance of expenditure, of references to the claiming or allowance of an unrelievable field loss and, for references to section 3 or 4 of this Act, of references to section 6 of this Act.

SCHEDULE

9. ....

F137

**Textual Amendments**

F137 Sch. 9 repealed by Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844 and Sch. 31

**Status:**

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**Changes to legislation:**

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