



Oil Taxation Act 1975

1975 CHAPTER 22

PART I

PETROLEUM REVENUE TAX

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) [^{F1}(hh), (i) and (j) of subsection (1) and [^{F2}subsections (1C) and (1D)]) 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.

- [^{F3}(3) Subsections (3A) to (3H) below apply where, in the case of any taxable field, the oil—
- (a) won and saved from the field, or
 - (b) expected to be won and saved from the field,
- includes oil falling within subsection (1)(a) above.

*Changes to legislation: There are currently no known outstanding effects
for the Oil Taxation Act 1975, Section 10. (See end of Document for details)*

- (3A) Any expenditure allowable under section 3 of this Act for the field by virtue of any of paragraphs (a) to (c) of section 3(1) of this Act shall be a proportion of what it would otherwise have been.
- (3B) The proportion mentioned in subsection (3A) above is that which, according to estimates submitted to the [^{F4}OGA] after the end of June 1975 and approved by [^{F5}it] as reasonable, the field's original reserves of oil exclusive of oil falling within subsection (1)(a) above bear to the field's original reserves of oil inclusive of oil so falling.
- (3C) Until estimates have been submitted and approved for the purpose of subsection (3B) above, the expenditure allowable for the field under section 3 of this Act by virtue of section 3(1)(a), (b) or (c) of this Act shall be deemed to be nil.
- (3D) Any expenditure allowable under section 3 of this Act for the field by virtue of section 3(1)(hh) of this Act shall be a portion of what it would otherwise have been.
- (3E) That portion is determined in accordance with the following rules—
- (1) Identify the abandonment guarantee (within the meaning given by section 104 of the Finance Act 1991 (c. 31)) on the obtaining of which the expenditure was incurred.
 - (2) Identify the liabilities covered by the guarantee.
 - (3) Identify which of those liabilities relate to qualifying assets.
 - (4) Identify the portion of the expenditure that it is just and reasonable to apportion to the liabilities identified under rule 3.
 - (5) Identify the qualifying assets to which the liabilities identified under rule 3 relate.
 - (6) Identify the use of those qualifying assets that has been (or is expected to be) non-excluded use.
 - (7) Assume that expenditure is incurred on the provision of those qualifying assets and identify the proportion of the hypothetical expenditure that it would be just and reasonable to apportion to the use of those assets identified under rule 6.
 - (8) The portion mentioned in subsection (3D) above is then determined by multiplying—
 - (i) the portion identified under rule 4, by
 - (ii) the proportion (expressed as a fraction) identified under rule 7.
- (3F) Any expenditure allowable under section 3 of this Act for the field by virtue of section 3(1)(i) or (j) of this Act shall be a portion of what it would otherwise have been.
- (3G) That portion is determined in accordance with the following rules—
- (1) Identify the qualifying asset that is relevant to the incurring of the expenditure.
 - (2) Identify the use of that qualifying asset that has been non-excluded use.
 - (3) Assume that expenditure is incurred on the provision of that qualifying asset and identify the proportion of the hypothetical expenditure that it would be just and reasonable to apportion to the use of that asset identified under rule 2.
 - (4) The portion mentioned in subsection (3F) above is then determined by multiplying—
 - (i) the expenditure, by
 - (ii) the proportion (expressed as a fraction) identified under rule 3.
- (3H) In subsections (3E) and (3G) above—

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“non-excluded use” means—

- (a) use in connection with the winning and saving of oil, other than excluded oil, from the field, or
 - (b) use giving rise to receipts that, for the purposes of the Oil Taxation Act 1983 (c. 56), are tariff receipts attributable to a participator in the field;
- “qualifying asset” has the same meaning as it has for the purposes of the Oil Taxation Act 1983 (see section 8 of that Act).]

- (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 [^{F6}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 [^{F6}metric tonne] of oil other than gas.

Textual Amendments

- F1** Words in s. 10(2) substituted by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), **s. 103(7)(a)(8)**.
- F2** Words in s. 10(2) substituted (11.5.2001 with effect as mentioned in [s. 102\(4\)](#) of the amending Act) by [2001 c. 9, s. 102\(3\)](#)
- F3** S. 10(3)-(3H) substituted (11.5.2001 with effect as mentioned in [s. 103\(2\)](#) of the amending Act) for s. 10(3) by [2001 c. 9, s. 103\(1\)](#)
- F4** Word in [s. 10\(3B\)](#) substituted (1.10.2016) by [The Petroleum \(Transfer of Functions\) Regulations 2016 \(S.I. 2016/898\)](#), regs. 1(2), **4(5)(a)**
- F5** Word in [s. 10\(3B\)](#) substituted (1.10.2016) by [The Petroleum \(Transfer of Functions\) Regulations 2016 \(S.I. 2016/898\)](#), regs. 1(2), **4(5)(b)**
- F6** 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)

- C1** See [Finance Act 1980 \(c. 48\)](#), **s. 106** and Sch. 17 para. 9 relating to interests in oil fields transferred after 1 August 1980
- C2** S. 10(1)(a) modified (8.11.1995) by [1995 c. 45, s. 17\(1\)](#), [Sch. 5 Pt. I paras. 1, 11\(a\)](#)
S. 10(1)(a) modified (retrospectively) by [1999 c. 16, s. 94\(2\)](#)
- C3** S. 10(1)(b) modified (27.7.1993) by [1993 c. 34 s. 209\(3\)](#)
- C4** See [Oil Taxation Act 1983 \(c. 56\)](#), **s. 4** and Sch. 1 para. 3
- C5** See [Oil Taxation Act 1983 \(c. 56\)](#), **ss. 3(6)** and 4

Changes to legislation:

There are currently no known outstanding effects for the Oil Taxation Act 1975, Section 10.