



# Oil Taxation Act 1975

## 1975 CHAPTER 22

### PART II

#### PROVISIONS RELATING TO THE EXTRACTION OF PETROLEUM IN THE UNITED KINGDOM OR A DESIGNATED AREA

#### **15 Oil extraction activities etc.: charges on income**

- (1) Section 248 of the Taxes Act (allowance of charges on income) shall have effect subject to the following provisions of this section.
- (2) Interest paid by a company shall not be allowable under the said section 248 as a deduction against that part of the profits of the company which consists of income arising from oil extraction activities or from oil rights except—
  - (a) to the extent that it was payable in respect of money borrowed by the company which is shown to have been used to meet expenditure incurred by the company in carrying on oil extraction activities or in acquiring oil rights otherwise than from a connected person or to have been appropriated to meeting expenditure to be so incurred by the company ; and
  - (b) in the case of interest paid by the company to a company associated with it, to the extent that (subject always to the preceding paragraph) the rate at which it was payable did not exceed what, having regard to all the terms on which the money was borrowed and the standing of the borrower, was a reasonable commercial rate.

Section 533 of the Taxes Act (connected persons), shall apply for the purposes of this subsection.

- (3) Where a company pays to a company associated with it a charge on income not consisting of a payment of interest, the charge shall not be allowable to any extent under the said section 248 against that part of the profits of the first-mentioned company which consists of income arising from oil extraction activities or from oil rights.
- (4) The preceding provisions of this section—

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**Status:** This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

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- (a) shall have effect as regards accounting periods beginning after 11th July 1974 ;  
and
- (b) in the case of an accounting period beginning on or before and ending after that date, shall have effect as regards the allowance of interest paid and other charges on income against income attributable to the part of the period falling after that date ;

and there shall be made all such apportionments as are necessary to give effect to paragraph (b) above.