



Oil Taxation Act 1975

1975 CHAPTER 22

PART I

PETROLEUM REVENUE TAX

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—
 - (a) 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
 - (b) 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) [^{F1}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—
 - (a) the aggregate of the amounts mentioned in subsection (5) below; and
 - (b) one-half of the market value, [^{F2}on the last business day] of the preceding chargeable period, of so much of his share of oil won from the field as he had [^{F3}at the end of that period] either—

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- (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) ^{F4}Subject to ^{F5}subsections (5A) and (5B)] 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 ^{F6}(not being light gases)] 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 ^{F6}(not being light gases)] so won as was relevantly appropriated by him in the period without being disposed of (excluding oil so appropriated before 13th November 1974); and
- ^{F7}(ca) the market value, ascertained in accordance with paragraph 3A of Schedule 3 to this Act, of so much of any light gases so won and disposed of by him otherwise than in sales at arm's length as was delivered by him in the period; and
- (cb) the market value, ascertained in accordance with paragraph 3A of Schedule 3 to this Act, of so much of any light gases so won as was relevantly appropriated by him in the period without being disposed of; and]
- (d) one-half of the market value, ^{F8}on the last business day] of the period, of so much of his share of oil so won as he had ^{F3}at the end of that period] either—
 - (i) not disposed of and not relevantly appropriated; or
 - (ii) disposed of but not delivered ^{F9}and]
- ^{F10}(e) the excess of the nominated proceeds for that period, as defined in section 61 of the Finance Act 1987].

^{F11}(5A) In any case where ^{F12}oil] 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 ^{F13}oil] from a place on land in the United Kingdom ^{F14}or another country]^{F15}, or from its place of extraction (where that is in the territorial sea of the United Kingdom or a designated area,)] for delivery at another place in or] 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 ^{F13}oil] shall be deemed to be that for which it would have been sold, and
- (b) the ^{F13}oil] shall be deemed to be delivered at the time it would have been delivered,

if the terms of the contract ^{F16}did not require the seller to meet any such costs as are mentioned above but did require the ^{F13}oil] to be delivered—

- (i) in the case of ^{F13}oil] extracted in the United Kingdom, at the place of extraction; or
- (ii) in the case of ^{F13}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 ^{F17}or, in the case of oil first landed in another country, at

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the place in that or any other country]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.]]

[^{F18}(5B) The Board may by regulations make provision for the purposes of subsection (5)(a) to (c) for determining to which fields and in what proportions blended oil to which subsection (5C) applies is attributable.

(5C) This subsection applies to blended oil within the meaning of section 63(1A) of the Finance Act 1987 (other than light gases) which—

- (a) is not gaseous at a temperature of 15 degrees Centigrade and a pressure of one atmosphere, and
- (b) is not normally disposed of crude by deliveries in quantities of 25,000 metric tonnes or less.

(5D) Regulations under subsection (5B)—

- (a) may apply generally or only to specified cases or circumstances,
- (b) may make different provision for different cases or circumstances,
- (c) may make incidental, consequential, or transitional provision,
- (d) shall be made by statutory instrument, and
- (e) may not be made unless a draft has been laid before and approved by resolution of the House of Commons.]

(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;

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 [^{F19}OGA] under any relevant licence otherwise than by way of royalty.

[^{F20}(8) The amount (if any) to be debited or credited to the participator for the period in respect of expenditure is the sum of the amounts mentioned in subsection (9) below.]

(9) [^{F21}Subject to section 192 of the Finance Act 1993] the amounts referred to in subsection (8)(a) above are—

- ^{F22}(a)
- (b) the participator's share, as determined on a claim under Schedule 5 to this Act, of the aggregate of—

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- (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 [^{F23}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—
 - (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 [^{F23}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 [^{F24}; and]
- [^{F25}(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][^{F26}; and]
- [^{F27}(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.]

^{F28}(10)

^{F28}(11)

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Textual Amendments

- F1** 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
- F2** Words in s. 2(4)(b) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), Sch. 18 para. 2\(2\)](#)
- F3** Words substituted by [Finance Act 1987 \(c. 16\), s. 62\(2\)](#) for chargeable periods ending after 31 December 1986
- F4** Words inserted by [Finance Act 1982 \(c. 39\), s. 133\(1\)](#) with respect to chargeable periods ending after 31 December 1981
- F5** Words in s. 2(5) substituted (19.7.2006) by [Finance Act 2006 \(c. 25\), s. 148\(1\)](#)
- F6** Words in s. 2(5)(b)(c) inserted (3.5.1994) by 1994 c. 9, s. 236, [Sch. 23 para. 1\(1\)](#)
- F7** S. 2(5)(ca)(cb) inserted (3.5.1994) by 1994 c. 9, s. 236, [Sch. 23 para. 1\(1\)](#)
- F8** Words in s. 2(5)(d) substituted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), Sch. 18 para. 2\(3\)](#)
- F9** Word added by [Finance Act 1987 \(c. 16\), s. 61\(5\)](#)
- F10** S. 2(5)(e) added by [Finance Act 1987 \(c. 16\), s. 61\(5\)](#)
- F11** S. 2(5A) added by [Finance Act 1982 \(c. 39\), s. 133\(1\)](#) with respect to chargeable periods ending after 31 December 1981
- F12** Word in s. 2(5A) substituted (3.5.1994) by 1994 c. 9, s. 235(1)(a)
- F13** Word in s. 2(5A) substituted (3.5.1994) by 1994 c. 9, s. 235(1)(b)
- F14** Words in s. 2(5A) substituted (3.5.1994) by 1994 c. 9, s. 235(1)(c)
- F15** Words in s. 2(5A) inserted (with effect in accordance with s. 147(1)(2) of the amending Act) by [Finance Act 2006 \(c. 25\), Sch. 18 para. 2\(4\)](#)
- F16** Words in s. 2(5A) substituted (16.7.1992 with effect as mentioned in s. 74(5) of the amending Act) by [Finance \(No. 2\) Act 1992 \(c. 48\), s. 74, Sch. 15 para. 1](#)
- F17** Words in s. 2(5A)(ii) inserted (3.5.1994) by 1994 c. 9, s. 235(1)(d)
- F18** S. 2(5B)-(5D) inserted (19.7.2006) by [Finance Act 2006 \(c. 25\), s. 148\(2\)\(3\)](#)
- F19** Word in s. 2(7)(c) substituted (1.10.2016) by [The Petroleum \(Transfer of Functions\) Regulations 2016 \(S.I. 2016/898\), regs. 1\(2\), 4\(2\)](#)
- F20** S. 2(8) substituted (with effect in accordance with Sch. 43 paras. 1, 3(5) of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 43 para. 3\(2\)](#) (with Sch. 43 paras. 2, 3(5)(6), 4)
- F21** Words in s. 2(9) inserted (27.7.1993) by 1993 c. 34, s. 192(3)
- F22** S. 2(9)(a) omitted (with effect in accordance with Sch. 43 paras. 1, 3(5) of the amending Act) by virtue of [Finance Act 2009 \(c. 10\), Sch. 43 para. 3\(3\)](#) (with Sch. 43 paras. 2, 3(5)(6), 4)
- F23** 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
- F24** “; and” added by [Finance Act 1983 \(c. 49\), s. 37\(2\)](#) and Sch. 8 Part II para. 1
- F25** S. 2(9)(f) added by [Finance Act 1983 \(c. 49\), s. 37\(2\)](#) and Sch. 8 Part II para. 1
- F26** “; and” added by [Finance Act 1987 \(c. 16\), s. 64\(2\)](#) and Sch. 13 Part II para. 1
- F27** S. 2(9)(g) added by [Finance Act 1987 \(c. 16\), s. 64\(2\)](#) and Sch. 13 Part II para. 1
- F28** S. 2(10)(11) omitted (with effect in accordance with Sch. 43 paras. 1, 3(5) of the amending Act) by virtue of [Finance Act 2009 \(c. 10\), Sch. 43 para. 3\(3\)](#) (with Sch. 43 paras. 2, 3(5)(6), 4)

Modifications etc. (not altering text)

- C1** S. 2 modified by [Finance Act 1991 \(c. 31, SIF 63:1\), s. 108\(4\)](#).
- C2** 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
- C3** 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

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- APRT; Finance Act 1986 (c. 41), **s. 109(4)** where an election for alternative valuation of light gases applies
- C4** S. 2(5A) applied (with effect in accordance with s. 1184(1) of the amending Act) by **Corporation Tax Act 2010 (c. 4), ss. 280(9), 1184(1)** (with Sch. 2)
- C5** See Oil Taxation Act 1983 (c. 56), **Sch. 1 para. 2** where expenditure incurred in respect of a remote associated asset
- C6** S. 2(9) excluded (27.7.1993) by 1993 c. 34, **s. 192(3)**
- C7** See Finance Act 1987 (c. 16), **s. 65(5)**
- C8** See Oil Taxation Act 1983 (c. 56), **s. 3(6)** and Sch. 1 para. 2
- C9** 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
- C10** See Finance Act 1981 (c. 35), **ss. 111–113, 115**
- C11** See Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), **s. 493**

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