



Oil Taxation Act 1975

1975 CHAPTER 22

PART I

PETROLEUM REVENUE TAX

6 Allowance of unrelievable loss from abandoned field.

[^{F1}(1) In the case of a participator in an oil field, an allowable unrelievable field loss is the unrelievable portion of an allowable loss falling within subsection (1B) below.

(1A) Subsection (1) above is subject to subsections (5) to (9) below and Schedule 8 to this Act [^{F2}and [^{F3}paragraph 6] of [^{F4}Schedule 20B] to the Finance Act 1993].

(1B) An allowable loss falls within this subsection if—

- (a) the loss accrued in any chargeable period from another field (“the abandoned field”),
- (b) the person to whom the loss accrued is—
 - (i) the participator, or
 - (ii) if the participator is a company, a company associated with the participator in respect of the loss (see subsection (3) below),
- (c) the loss accrued to that person as a participator in the abandoned field, and
- (d) the winning of oil from the abandoned field has permanently ceased.

(1C) The “unrelievable portion” of an allowable loss falling within subsection (1B) above is so much of that loss as cannot under the provisions of section 7 of this Act be relieved against assessable profits accruing from the abandoned field to the person to whom the loss accrued.

(1D) Subsection (1C) above is subject to Schedule 32 to the Finance Act 2001 (determination of unrelievable portion where Parts 2 and 3 of Schedule 17 to the Finance Act 1980 did not apply to transfer of interest in abandoned field).]

(2) In determining for the purposes of this section whether an allowable loss has accrued as mentioned in [^{F5}subsection (1B) 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

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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) [^{F6}Chapter 3 of Part 24 of CTA 2010] (subsidiaries) shall apply.

[^{F7}(4A) For the purposes of this section and Schedule 8 to this Act, the winning of oil from an oil field shall not be regarded as having permanently ceased until all the oil wells in the field have been permanently abandoned.]

- [^{F8}(5) Subsections (6) to (9) below apply if—
- (a) a claim is made for the allowance of an unrelievable field loss; and
 - (b) the person to whom the loss accrued made a claim or election for the allowance of any expenditure unrelated to that field; and
 - (c) that claim or election was received by the Board on or after 29th November 1994; and
 - (d) the whole or a part of the expenditure to which the claim or election relates is allowed and, accordingly, falls to be taken into account under section 2(8) (a) of this Act for a chargeable period (whether beginning before or after 29th November 1994).
- (6) Subject to subsection (7) below, where this subsection applies, from the amount which, apart from this subsection, would be the amount of the unrelievable field loss referred to in paragraph (a) of subsection (5) above there shall be deducted an amount equal to

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so much of any expenditure unrelated to the field as is allowed on a claim or election as mentioned in paragraph (d) of that subsection.

(7) If—

- (a) claims are made for the allowance of more than one unrelievable field loss derived from the same abandoned field, and
- (b) the person to whom the loss accrued is the same in respect of each of the unrelievable field losses,

subsection (6) above shall have effect as if the deduction referred to in that subsection fell to be made from the aggregate amount of those losses.

(8) Where subsection (7) above applies, the deduction shall be set against the unrelievable field losses in the order in which the claims for the allowance of each of those losses were received by the Board.

(9) In subsections (5) and (6) above, “expenditure unrelated to the field” means—

- (a) expenditure allowable under any of sections 5, 5A and 5B of this Act;
- (b) expenditure allowable under this section (derived from a different abandoned field); or
- (c) expenditure falling within section 65 of the ^{M1}Finance Act 1987 which is accepted by the Board as allowable in accordance with Schedule 14 to that Act;

and, in relation to expenditure falling within section 65 of the ^{M2}Finance Act 1987, “election” means an election under Part I of Schedule 14 to that Act.]

Textual Amendments

- F1** S. 6(1)-(1D) substituted (*retrospective to 7.3.2001*) for s. 6(1)(1A) by 2001 c. 9 s. 101(1)(5)
- F2** Words in s. 6(1A) inserted (21.7.2008) by Finance Act 2008 (c. 9), **Sch. 33 para. 2**
- F3** Words in s. 6(1A) substituted (*retrospective to 23.11.2016*) by Finance (No. 2) Act 2017 (c. 32), s. **44(2)(4)**
- F4** Words in s. 6(1A) substituted (21.7.2009) by Finance Act 2009 (c. 10), **Sch. 45 para. 3(2)(a)**
- F5** Words in s. 6(2) substituted (*retrospective to 7.3.2001*) by 2001 c. 9, s. **101(2)(5)**
- F6** Words in s. 6(4)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 163** (with Sch. 2)
- F7** S. 6(4A) inserted (*retrospective to 1.7.2007*) by Finance Act 2007 (c. 11), s. **104(1)(2)**
- F8** S. 6(5)-(9) inserted (1.5.1995) by 1995 c. 4, s. **146(3)** (with Sch. 8 paras. 55(2), 57(1))

Modifications etc. (not altering text)

- C1** S. 6(1C) excluded (*retrospective to 7.3.2001*) by 2001 c. 9, s. 101(4)(5), **Sch. 32 para. 5**

Marginal Citations

- M1** 1987 c. 16.
- M2** 1987 c. 16.

Changes to legislation:

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