



Finance Act 1981

1981 CHAPTER 35

PART VIII

SUPPLEMENTARY PETROLEUM DUTY

122 Charge of supplementary petroleum duty

- (1) Every participator in an oil field shall, in accordance with this Part of this Act, be chargeable with a tax (to be known as supplementary petroleum duty) on the gross profit accruing to him from the field in any chargeable period to which this section applies.
- (2) The duty shall be charged at the rate of 20 per cent.
- (3) For the purposes of the duty the gross profit shall, except so far as otherwise provided in this Part of this Act, be determined in accordance with section 2(4) and (5) of the Oil Taxation Act 1975 (" the principal Act") as for the purposes of petroleum revenue tax.
- (4) Any other expression used in this Part of this Act which also occurs in Part I of the principal Act shall be construed in the same way as for the purposes of that tax.
- (5) This section applies to the chargeable periods ending on 30th June 1981, 31st December 1981 and 30th June 1982.

123 Increase of gross profit by reference to royalties in kind

- (1) This section applies where part of a participator's share of the oil won and saved from an oil field is delivered by him in a chargeable period to the Secretary of State pursuant to a requirement imposed under the terms of a licence granted under the Petroleum (Production) Act 1934.
- (2) In determining for the purposes of the duty the gross profit accruing to the participator from the field in the chargeable period the aggregate of the amounts mentioned in section 2(5)(a), (b) and (c) of the principal Act shall be increased by multiplying it by a fraction of which—

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- (a) the numerator is the total of the quantity of oil won from the field which is delivered or relevantly appropriated by him in the period including the oil delivered to the Secretary of State ; and
 - (b) the denominator is that total excluding the oil delivered to the Secretary of State.
- (3) Where oil is delivered pursuant to a requirement which relates to oil of one or more kinds but not to others, subsection (2) above shall apply only in relation to oil of the kind or kinds to which the requirement relates; and where oil is delivered pursuant to a requirement which specifies different proportions in relation to different kinds of oil, that subsection shall apply separately in relation to each of those kinds.
- (4) For the purposes of section 2(5) of the principal Act as applied by this Part of this Act the exclusion by paragraph 4 of Schedule 3 to that Act of oil delivered to the Secretary of State under the terms of a licence granted under the said Act of 1934 shall be deemed to extend to oil which is inadvertently delivered to him in excess of the amount required; and oil so delivered shall be treated for the purposes of this section as delivered pursuant to a requirement imposed under the terms of such a licence.

124 Reduction of gross profit by reference to exempt allowance

- (1) For the purposes of the duty there shall be for each oil field in each chargeable period an exempt allowance of 500,000 metric tonnes of oil divided between the participators in shares proportionate to their shares of the oil won and saved from the field during the period.
- (2) If the gross profit accruing to a participator in a chargeable period from a field exceeds the cash equivalent of his share of the exempt allowance, the gross profit shall be reduced to an amount equal to the excess.
- (3) If the gross profit accruing to a participator in a chargeable period from a field does not exceed the cash equivalent of his share of the exempt allowance, the gross profit shall be reduced to nil.
- (4) Subject to subsection (5) below, the cash equivalent of a participator's share of the exempt allowance for an oil field for a chargeable period shall be equal to such proportion of the gross profit accruing to him from the field in that period (before any reduction under this section) as his share of the exempt allowance bears to his share, exclusive of excluded oil within the meaning of section 10 of the principal Act, of the oil won and saved from the field during the period.
- (5) 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 the principal Act for a chargeable period, the cash equivalent of his share of the exempt allowance for the field for that period shall be determined under subsection (4) above—
- (a) to the extent that his share of that exempt 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 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 allowance exceeds his share of the oil (other than gas) so won and saved, as if in computing the gross profit so accruing all amounts relating to oil other than gas fell to be disregarded.

- (6) In this section references to a participator's share of the oil won and saved from a field are to his share as expressed in metric tonnes and for that purpose 1,100 cubic metres of oil consisting of gas at a temperature of 15 degrees centigrade and pressure of one atmosphere shall be counted as equivalent to one metric tonne of oil other than gas.

125 Repayment of duty in case of field showing net loss on cessation

- (1) Subject to the provisions of this section, the duty paid by a participator in respect of an oil field shall be repaid to him if—
- (a) a decision has been made under Schedule 8 to the principal Act (whether by the Board or on appeal) that the winning of oil from the field has permanently ceased ;
 - (b) an unrelievable field loss, within the meaning of section 6 of that Act, has accrued to the participator from the field; and
 - (c) a claim for repayment is made under this section.
- (2) The amount of duty to be repaid shall not exceed the amount of the unrelievable field loss ; and where duty paid by a participator in respect of an oil field is repaid under this section the amount to be taken into account under section 2(9)(e) of the principal Act as the unrelievable field loss from that field in computing the assessable profit or allowable loss accruing from another field to—
- (a) the participator ; or
 - (b) a company which, within the meaning of the said section 6, is associated with him in respect of the loss,
- shall not be greater than the amount (if any) by which it exceeds the amount repaid.
- (3) If a claim for the allowance of the unrelievable field loss is made by the participator under Schedule 8 to the principal Act, the claim under this section shall be included in that claim ; and in any other case the claim under this section shall be made within six years after the date of the decision mentioned in subsection (1)(a) above.
- (4) Sub-paragraphs (2) and (3) of paragraph 4 of the said Schedule 8 shall, with the necessary modifications, apply in relation to a claim for repayment under this section as they apply in relation to a claim under sub-paragraph (1) of that paragraph.
- (5) References in this section to duty paid by a participator are to duty paid by him and not previously repaid.

126 Deduction of duty in computing assessable profit or allowable loss for petroleum revenue tax

- (1) For the purpose of computing under section 2 of the principal Act the assessable profit or allowable loss accruing to a participator in any chargeable period from an oil field—
- (a) there shall be included as a negative amount his duty debit (if any) for the period ; and
 - (b) there shall be included as a positive amount his duty credit (if any) for the period.
- (2) The participator's duty debit or credit (if any) for the period is the difference (if any) between—
- (a) the sum of the amounts mentioned in subsection (3) below; and
 - (b) the sum of—

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- (i) the amount taken into account under paragraph (a) of that subsection in computing his duty debit or credit for the preceding chargeable period; and
 - (ii) the amount of any duty repaid to him in the period in respect of the field ;
- and their difference (if any) is a duty debit if the sum mentioned in paragraph (a) above is greater than the sum mentioned in paragraph (b) above, and is otherwise a duty credit.
- (3) The amounts referred to in subsection (2)(a) above are—
- (a) the amount shown in the statement delivered by the participator under subparagraph (1)(a) of paragraph 10 of Schedule 16 to this Act as the duty payable by him under that paragraph for the period in respect of the field; and
 - (b) the amount of duty paid in the period in respect of the field for previous chargeable periods.
- (4) For the purposes of subsection (3) (b) above duty for a period which is paid before the end of that period shall be treated as paid in the next chargeable period.
- (5) Where a participator's liability to petroleum revenue tax has been determined by reference to an amount of duty paid by him and there is a repayment of the duty which cannot be taken into account under the foregoing provisions of this section, an additional assessment to that tax may be made at any time not later than six years after the end of the chargeable period in which the duty is repaid.
- (6) Paragraph 12 of Schedule 17 to the Finance Act 1980 (treatment of royalty payments where there is a transfer of an interest in an oil field) shall apply in relation to any duty debit or credit as it applies in relation to a licence debit or credit, taking references to subsection (6) of section 2 of the principal Act and paragraphs (a) and (b) of that subsection as references to subsection (2) above and paragraphs (a) and (b) of that subsection.

127 Deduction of duty in computing income for corporation tax

- (1) Where a participator in an oil field has paid any duty with which he was chargeable for a chargeable period, then, in computing for corporation tax the amount of his income arising in the relevant accounting period from oil extraction activities or oil rights, there shall be deducted an amount equal to that duty; and there shall be made all such adjustments of assessments to corporation tax as are required in order to give effect to this subsection.
- (2) For the purposes of subsection (1) above the relevant accounting period, in relation to any duty paid by a company, is—
- (a) the accounting period of the company in or at the end of which the chargeable period for which the duty was charged ends; or
 - (b) if that chargeable period ends after the accounting period of the company in or at the end of which the trade giving rise to the income referred to in subsection (1) above is permanently discontinued, that accounting period.
- (3) Subject to subsection (4) below, if some or all of the duty in respect of which a deduction has been made under subsection (1) above is subsequently repaid, that deduction shall be reduced or extinguished accordingly; and any additional assessment to corporation tax required in order to give effect to this subsection may be made at

any time not later than six years after the end of the accounting period in which the duty was repaid.

- (4) Subsection (3) above does not apply to any repayment of duty under section 125 above but any amount of duty repaid to a person under that section shall be treated as his income for the purpose of corporation tax.
- (5) Where, because of a deduction made under subsection (1) above in computing for corporation tax the amount of a company's income of any kind, the amount of advance corporation tax which can be set against the company's liability to corporation tax for an accounting period is less than the amount of advance corporation tax which could have been set against that liability if the deduction had not been made, then, if a claim in that behalf is made by the company not later than two years after the end of that accounting period, an amount of advance corporation tax equal to the difference shall be repaid to the company.
- (6) In this section " oil extraction activities " and " oil rights " have the meaning given in section 19(1) of the principal Act.

128 Supplementary provisions

- (1) Schedule 16 to this Act shall have effect with respect to the management and collection of the duty.
- (2) In section 1(1) of the Provisional Collection of Taxes Act 1968 after the words " petroleum revenue tax " there shall be inserted the words " supplementary petroleum duty ".
- (3) This Part of this Act shall be included in the Oil Taxation Acts for the purposes of section 108 of the Finance Act 1980 (gas banking schemes).