



Finance Act 1981

1981 CHAPTER 35

PART VII

PETROLEUM REVENUE TAX

111 Restriction of expenditure supplement.

- (1) Expenditure taken into account under section 2(9) (b)(i) or (c)(i) of the ^{M1}Oil Taxation Act 1975 (“the principal Act”) in computing the assessable profit or allowable loss accruing to a participator in a chargeable period from an oil field shall not qualify for supplement under section 2(9)(b)(ii) or (c)(ii) of that Act if it is incurred after the end of the chargeable period (“the net profit period”) [^{F1}which is the earliest chargeable period ending after a development decision has been made for the field in which—
- (a) the amount of oil won and saved from the field exceeds 1,000 metric tonnes (counting 1,100 cubic metres of gas at a temperature of 15 degrees centigrade and pressure of one atmosphere as equivalent to one metric tonne); and
 - (b) a net profit from the field accrues to the participator;
- and subsection (7) of section 5A of the principal Act (time when development decision is made) shall apply for the purposes of this subsection as it applies for the purposes of subsection (1)(c) of that section.]
- (2) Subject to subsections (3) and (4) below, a net profit shall be treated as having accrued to a participator from an oil field in a chargeable period when the total assessable profits (without any reduction under section 7 or 8 of the principal Act) that have accrued to him from the field in chargeable periods up to and including that period [^{F2}exceed the aggregate of the total allowable losses that have so accrued to him and the total amount of advance petroleum revenue tax paid by him in respect of that field for chargeable periods up to and including that period].
- [^{F3}(2A) For the purposes of subsection (2) above the total amount of advance petroleum revenue tax paid by the participator does not include any amount of that tax repaid to him before the end of the chargeable period first referred to in that subsection or any amount of that tax subsequently repaid to him under section 142(1) of the Finance Act 1982 or under paragraph 9 of Schedule 19 to that Act.]

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- (3) In determining for the purposes of subsection (2) above whether any, and if so what, assessable profit or allowable loss has accrued to a participator from an oil field in a chargeable period—
- (a) there shall be excluded from its computation any expenditure allowed under Schedule 7 and any loss allowed under Schedule 8 to the principal Act [^{F4}(abortive exploration expenditure [^{F5}exploration and appraisal expenditure] and unrelievable field losses);]
 - (b) any election under paragraph 9(1) of Schedule 3 to that Act (spreading of allowable expenditure) shall be disregarded; and
 - (c) in the case of the last chargeable period taken into account in deciding what is the net profit period there shall be included in that computation any amount which, by reason of an adjustment under section 4(9) of that Act (long-term assets) for a claim period ending not later than that period, will fall to be taken into account under paragraph 6 of Schedule 4 to that Act for the next chargeable period [^{F6}and
 - (d) if any qualifying tariff receipts, within the meaning of section 9 of the Oil Taxation Act 1983, are received or receivable by the participator for that period, any amount by which those receipts are treated as reduced by virtue of that section shall be brought into account in that computation as an addition to the positive amounts referred to in section 2(3)(a) of the principal Act].
- (4) A net profit shall not by virtue of subsection (2) above be treated as having accrued to a participator from an oil field in a chargeable period if—
- (a) after an assessment or determination has been made in respect of that period under paragraph 10 of Schedule 2 to the principal Act any expenditure incurred before the end period is allowed on a claim under Schedule 5 or Schedule 6 to that Act; and
 - (b) a net profit would not have accrued to the participator from the field in that period if that expenditure (or, as respects expenditure allowed under Schedule 5, his share of it) had been taken into account in the assessment or determination together with any amount falling to be taken into account under section 2(9)(b)(ii) or (c)(ii) of the principal Act by reference to (or, as the case may be, to his share of) that expenditure.
- (5) The expenditure referred to in subsection (4) above does not include expenditure allowed for any claim period beginning after the chargeable period in respect of which the assessment or determination was made.
- (6) In the following provisions, that is to say—
- (a) paragraphs 2(4)(a) and 3(1)(b) of Schedule 5 to the principal Act (claims for and determination of expenditure qualifying for supplement), including those paragraphs as applied by Schedule 6 to that Act;
 - (b) paragraph 2(4)(b) of the Schedule to the ^{M2}Petroleum Revenue Tax Act 1980 (computation of payment on account),
- references to expenditure qualifying for supplement shall include references to expenditure that would so qualify apart from this section; but the responsible person need not make a claim under paragraph 2(4)(a) of the said Schedule 5 if it appears to him that none of the expenditure is likely to qualify because of this section.
- (7) This section applies whether the net profit period ends before or after the passing of this Act but subsection (1) above shall not disqualify any expenditure which was incurred

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before 1st January 1981 or which is incurred before 1st January 1983 in pursuance of a contract entered into before 1st January 1981.

Textual Amendments

- F1** Words substituted by [Finance Act 1985 \(c. 54\), s. 91\(3\)](#) with respect to chargeable periods ending after 30 June 1985. Previously “in which a net profit from the field first accrues to the participator.”
- F2** Words substituted by [Finance Act 1982 \(c. 39\), s. 139\(6\), Sch. 19 para. 16\(2\)](#). Previously “exceed the total allowable losses that have so accrued to him”
- F3** [S. 111\(2A\)](#) substituted by [Finance Act 1982 \(c. 39\), s. 139\(6\), Sch. 19 para. 16\(2\)](#). Previously “exceed the total allowable losses that have so accrued to him”
- F4** Words repealed by [Finance Act 1987 \(c. 16\), ss. 64\(2\), 72\(7\), Sch. 13 Pt. II para. 8, Sch. 16 Pt. X](#)
- F5** Words added by [Finance Act 1983 \(c. 28\), s. 37\(2\), Sch. 8 Pt. II para. 9](#)
- F6** Word “and” and [s. 111\(3\)\(d\)](#) inserted by [Oil Taxation Act 1983 \(c. 56\), s. 9\(8\)](#)—to have effect with respect to chargeable periods ending after 1 July 1982

Modifications etc. (not altering text)

- C1** See [1987 s. 65\(4\)\(c\)](#)—exclusion of coss-field allowance in determining assessable profit or allowable loss for [s. 111\(2\)](#)
- C2** See [s. 117\(4\), post](#)—includes an election under [1981 s. 117](#)
- C3** See [Oil Taxation Act 1983 \(c. 56\), Sch. 1 para. 2\(4\)](#) where expenditure incurred in respect of a remote associated asset

Marginal Citations

- M1** [1975 c. 22.](#)
- M2** [1980 c. 1.](#)

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