

Changes to legislation: There are currently no known outstanding effects for the Oil Taxation Act 1983, Paragraph 3. (See end of Document for details)

SCHEDULES

SCHEDULE 1

ALLOWABLE EXPENDITURE

Modifications etc. (not altering text)

- C1** Sch. 1 modified by 1975 c. 22, Sch. 4 para. 2(1)(b) (as inserted (with effect where the transaction to which 1975 c. 22, Sch. 4 para. 2 applies takes place on or after 16.3.1993) by 1993 c. 34, s. 191(4)(6))

PART I

EXTENSIONS OF ALLOWABLE EXPENDITURE FOR ASSETS GENERATING RECEIPTS

Assets no longer in use for the principal field

- 3 (1) This paragraph applies where—
- (a) a participator in an oil field (in this paragraph referred to as “the principal field”) incurs expenditure in enhancing the value of [^{F1}or otherwise in connection with] an asset which is not a mobile asset; and
 - (b) before the expenditure was incurred the asset had already been used or was expected to be used in connection with the principal field (and, accordingly, is a qualifying asset); and
 - (c) at the end of the claim period in which the expenditure is incurred, the asset is no longer being, and is not expected to be, used in connection with the principal field; and
 - (d) [^{F2}either the use of the asset] gives rise or is expected to give rise to tariff receipts or [^{F3}the expenditure] is incurred with a view to the subsequent disposal of the asset or of an interest in it.
- (2) For the purposes of section 3 of this Act, Part II below and section 3 of the principal Act,—
- (a) the use of the asset referred to in sub-paragraph (1) above to give rise to tariff receipts shall be assumed to be use in connection with the principal field; and
 - (b) if the subsequent disposal of, or of an interest in, the asset gives or is expected to give rise to disposal receipts, the asset shall be assumed to be being used in connection with the principal field throughout the claim period in which the expenditure is incurred.
- [^{F4}(2A) But where—
- (a) the expenditure would (apart from this sub-paragraph) be regarded as incurred with a view to the subsequent disposal of the asset or of an interest in it, and

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- (b) the asset has, at any time in the period of 6 years ending with the date on which the expenditure was incurred, been used in a way that gives rise to tax-exempt tariffing receipts,

the expenditure shall not be regarded for the purposes of this paragraph as expenditure incurred with a view to the subsequent disposal of the asset or of an interest in it, to the extent that the amount of the expenditure falls to be reduced in accordance with sub-paragraph (2B) below.

- (2B) The reduction is to be made by applying section 7A of this Act in relation to the expenditure as it applies in relation to disposal receipts in respect of a disposal, but with the substitution—

- (a) for references to the disponor, of references to the participator incurring the expenditure (“the relevant participator”),
- (b) for references to the amount or value (apart from that section) of any disposal receipts of the disponor in respect of the disposal, of references to the amount which would, apart from sub-paragraph (2A) above, be the amount of the expenditure incurred by the relevant participator with a view to the subsequent disposal of the asset or of an interest in it,
- (c) for references to the interest disposed of, of references to the asset or interest whose subsequent disposal gives or is expected to give rise to disposal receipts,
- (d) for references to the date of the disposal, of references to the date on which the expenditure was incurred,

and taking the reference in subsection (6)(b) of that section to a reduction made by virtue of that section as a reference to a reduction made by virtue of that section for the purposes of section 7(9) of this Act.]

- (3) References in sub-paragraphs (1) and (2) above to use in connection with the principal field include references to use which would constitute use in connection with that field but for section 10(2) of the principal Act (exempt gas).

Textual Amendments

- F1** Words inserted by [Finance Act 1988 \(c. 39\), s. 139\(1\)\(a\)](#)
- F2** Words substituted by [Finance Act 1988 \(c. 39\), s. 139\(1\)\(b\)](#)
- F3** Words inserted by [Finance Act 1988 \(c. 39\), s. 139\(1\)\(b\)](#)
- F4** [Sch. 1 para. 3\(2A\)\(2B\)](#) inserted (with effect in accordance with s. 285(6)(b) of the commencing Act) by [Finance Act 2004 \(c. 12\), Sch. 37 para. 6\(2\)](#) (with [Sch. 37 Pt. 2](#))

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