

SCHEDULES

SCHEDULE 11

Section 62.

MARKET VALUE OF OIL

PART I

AMENDMENTS OF PARAGRAPHS 2, 2A AND 3 OF SCHEDULE 3 TO PRINCIPAL ACT

- 1 (1) Paragraph 2 of Schedule 3 (definition of market value of oil) shall be amended in accordance with this paragraph.
- (2) For sub-paragraph (1) there shall be substituted—
 - “(1) The market value of any oil in any calendar month shall be determined for the purposes of this Part of this Act in accordance with this paragraph.”
- (3) In sub-paragraph (2) for the words from the beginning to "to be delivered" in paragraph (b) there shall be substituted—
 - “(2) Subject to the following provisions of this paragraph, the market value of any oil in a calendar month (in this paragraph referred to as "the relevant month") is the price at which oil of that kind might reasonably have been expected to be sold under a contract of sale satisfying the following conditions—
 - (a) the contract is for the sale of the oil at arm's length to a willing buyer;
 - (b) the contract is for the delivery of the oil at a time in the relevant month;
 - (c) the contract is entered into within the period beginning at the beginning of the month preceding the relevant month and ending on the middle day of the relevant month or, if the Treasury by order so direct, within such other period as may be specified in the order;
 - (d) the contract requires the oil to have been subjected to appropriate initial treatment before delivery;
 - (e) the contract requires the oil to be delivered”.
- (4) In sub-paragraph (2), paragraph (c) shall become paragraph (f) and shall be amended as follows—
 - (a) for the words "as at a particular time" there shall be substituted "as in a particular month"; and
 - (b) for the words "as at that time" there shall be substituted "as in that month".
- (5) At the end of sub-paragraph (2) there shall be added the words "and, for the purposes of paragraph (c) above, the middle day of a month containing an even number of days shall be taken to be the last day of the first half of the month, and the power

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to make an order under that paragraph shall be exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament."

(6) After sub-paragraph (2) there shall be inserted the following sub-paragraphs—

“(2A) For the purpose of sub-paragraph (2) above, the price of any oil in a calendar month shall be determined, subject to sub-paragraphs (2B) and (2C) below, by taking the average of the prices under actual contracts for the sale of oil of that kind—

- (a) which are contracts for the sale of oil by a participator in an oil field or by a company which, for the purposes of section 115(2) of the Finance Act 1984, is associated with such a participator; and
- (b) which, subject to sub-paragraph (2B) below, satisfy the conditions in paragraphs (a) to (e) of sub-paragraph (2) above; and
- (c) which do not contain terms as to payment which differ from those customarily contained in contracts for the sale at arm's length of oil of the kind in question.

(2B) For the purposes of sub-paragraph (2A)(b) above, a contract shall be treated as fulfilling the condition in paragraph (c) of sub-paragraph (2) above if it contains provisions under which the price for oil to be delivered in the relevant month either is determined or subject to review in the period relevant for the purposes of that paragraph or is determined by reference to other prices which are themselves determined in that period, being prices for oil to be delivered in the relevant month.

(2C) The average referred to in sub-paragraph (2A) above shall be determined—

- (a) by establishing an average price for oil of the kind in question for each business day within the period relevant for the purposes of sub-paragraph (2)(c) above; and
- (b) by taking the arithmetic mean of the average prices so established; and in this sub-paragraph "business day" has the same meaning as in the Bills of Exchange Act 1882.

(2D) If or in so far as the Board are satisfied that it is impracticable or inappropriate to determine for the purposes of sub-paragraph (2) above the price of any oil in a calendar month as mentioned in sub-paragraph (2A) above (whether by virtue of an insufficiency of contracts satisfying the conditions or of information relating to such contracts or by virtue of the nature of the market for oil of the kind in question or for any other reason), that price shall be determined,—

- (a) so far as it is practicable and appropriate to do so by reference to such other contracts (whether or not relating to oil of the same kind) and in accordance with the principles in sub-paragraph (2C) above; and
- (b) so far as it is not practicable or appropriate to determine it as mentioned in paragraph (a) above, in such other manner as appears to the Board to be appropriate in the circumstances.”

(7) In sub-paragraph (3)—

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- (a) for the words "as at a particular time" there shall be substituted "as in a particular month";
 - (b) the words "at that time", where they first occur, shall be omitted;
 - (c) after the words "was disposed of there shall be inserted "in that month";
 - (d) for the words "and (2)" there shall be substituted "to (2D)";
 - (e) for the words "as at that time" there shall be substituted "as in that month"; and
 - (f) for "(2)(b)" there shall be substituted "(2)(e)".
- 2 In paragraph 2A of that Schedule (modifications in the case of oil consisting of gas)—
- (a) in sub-paragraphs (1) and (3) for "(1) and (2)" there shall be substituted "(1)to(2D)";
 - (b) in sub-paragraph (2) for "(2)(a)" in each place where it occurs, there shall be substituted "(2)(d)"; and
 - (c) in sub-paragraph (3) for "(2)(b)" there shall be substituted "(2)(e)".
- 3 In paragraph 3 of that Schedule (aggregate market value of oil for purposes of section 2(5))—
- (a) in sub-paragraph (1) the words "at the material time" shall be omitted; and
 - (b) in sub-paragraph (2) the words from "and 'the material time' " onwards shall be omitted.

PART II

CONSEQUENTIAL AMENDMENTS OF PRINCIPAL ACT

- 4 In section 5A (allowance of exploration and appraisal expenditure) in subsection (5C)(a) for "(c)" there shall be substituted "(f)".
- 5 In section 12 (interpretation) in subsection (1) in the definition beginning "calendar month" for the words from "and" to "have" there shall be substituted "has".
- 6 In section 14 (valuation of oil disposed of or appropriated in certain circumstances)
- (a) in subsections (1) and (2) for the words "at a particular time" there shall be substituted "in a particular month";
 - (b) in subsection (5) for the words from the beginning to "this Act", in the first place where those words occur, there shall be substituted "In subsections (4) and (4A) above "calendar month" means a month of the calendar year"; and
 - (c) in paragraph (a) of subsection (5) for "(2)(c)" there shall be substituted "(2)(f)" and for "(c)" there shall be substituted "(f)".
- 7 In Schedule 9 (sales etc. at undervalue or overvalue) in paragraph 6 (determination of arm's length price) for sub-paragraph (2) there shall be substituted—
- “(2) In this paragraph "calendar month" means a month of the calendar year and "material time", in relation to a calendar month, means noon on the middle day of the month which, in the case of a month containing an even number of days, shall be taken to be the last day of the first half of the month.”