



# Capital Allowances Act 2001

## 2001 CHAPTER 2

### PART 12

#### SUPPLEMENTARY PROVISIONS

### CHAPTER 3

#### DISPOSALS OF OIL LICENCES: PROVISIONS RELATING TO PARTS 5 AND 6

##### *Oil licences relating to undeveloped areas*

#### **553 Consideration to be treated as nil**

- (1) This section applies if—
- (a) there is a material disposal of an oil licence which, at the time of the disposal, relates to an undeveloped area, and
  - (b) any of the consideration for the disposal consists of—
    - (i) another oil licence, or an interest in another oil licence, which at that time relates to an undeveloped area, or
    - (ii) an obligation to undertake exploration work or appraisal work in an area which is or forms part of the licensed area in relation to the licence disposed of.
- (2) The value of the consideration within subsection (1)(b) is to be treated as nil for the purposes of—
- (a) Part 5 (mineral extraction allowances),
  - (b) Part 6 (research and development allowances), and
  - (c) section 555 (disposal of oil licence with exploitation value).
- (3) A “material disposal” of an oil licence means any disposal (including a part disposal and a disposal of an interest in an oil licence) other than a disposal in relation to which section 568 or 569 (sales treated as being for alternative amount) has effect.

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*Status: This is the original version (as it was originally enacted).*

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- (4) If—
- (a) the material disposal is part of a larger transaction under which one party makes to another material disposals of two or more licences, and
  - (b) at the time of disposal, each of those licences relates to an undeveloped area, the licensed area for the purposes of subsection (1)(b) is the totality of the licensed areas in relation to those licences.
- (5) In relation to a material disposal of a licence under which the buyer acquires an interest in the licence only so far as it relates to part of the licensed area, any reference in this section and section 554 to the licensed area is to be read as a reference only to that part of the licensed area to which the buyer’s acquisition relates.
- (6) In subsection (1)(b)—
- “exploration work”, in relation to an area, means work carried out for the purpose of searching for oil anywhere in that area, and
  - “appraisal work”, in relation to an area, means work carried out for the purpose of ascertaining—
    - (a) the extent or characteristics of any oil-bearing area the whole or part of which lies in that area, or
    - (b) what the reserves of oil of any such oil-bearing area are.

#### **554 Circumstances in which oil licence relates to undeveloped area**

- (1) A UK oil licence relates to an undeveloped area if—
- (a) no consent for development has been granted to the licensee for any part of the licensed area by the relevant authority, and
  - (b) no programme of development has been served on the licensee or approved for any part of the licensed area by the relevant authority.
- (2) A foreign oil concession relates to an undeveloped area if—
- (a) no development has actually taken place in any part of the licensed area, and
  - (b) no condition for the carrying out of development anywhere in that area has been satisfied—
    - (i) by the grant of any consent by the authorities of a country or territory exercising jurisdiction in relation to the area, or
    - (ii) by the approval or service on the licensee, by any such authorities, of any programme of development.
- (3) Subsections (4) and (5) of section 36 of FA 1983 (meaning of development) apply for the purposes of subsections (1) and (2).
- (4) In subsection (1) “licensee” means—
- (a) the person entitled to the benefit of the licence or, if two or more persons are entitled to the benefit, each of those persons, and
  - (b) a person who has rights under an agreement which is—
    - (i) approved by the Board of Inland Revenue, and
    - (ii) certified by the relevant authority to confer on that person rights which are the same as, or similar to, those conferred by a licence.
- (5) In subsection (2) “licensee” means the person with the concession or any person having an interest in it.