



Finance Act 2001

2001 CHAPTER 9

PART 4

OTHER TAXES

Petroleum revenue tax

102 PRT: allowable decommissioning expenditure

- (1) In section 3 of the Oil Taxation Act 1975 (c. 22) (allowable expenditure), for subsections (1C) and (1D) (apportionment of decommissioning expenditure) substitute—

“(1C) In any case where—

- (a) any expenditure incurred by a participator in a taxable field would, apart from this subsection, be allowable for the field under subsection (1)(i) or (j) above, and
- (b) the qualifying asset that is relevant to the incurring of that expenditure has at some time been used otherwise than in connection with the field,

only the relevant portion of the expenditure is allowable for the field under subsection (1)(i) or (j) above.

- (1D) In subsection (1C) above “the relevant portion” of the expenditure is the portion of the expenditure that it is just and reasonable to apportion to use of the asset that is use in connection with the field.

(1E) Subsections (1C) and (1D) above have effect subject to the transitional provisions in section 102(5) to (11) of the Finance Act 2001.”.

- (2) In subsection (6) of that section, for “subsection (1C) or subsection (1D)” substitute “subsections (1C) and (1D)”.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2001, Section 102. (See end of Document for details)

- (3) In section 10(2) of that Act (which, in particular, provides that although excluded oil is not oil for the purposes of section 3 of that Act it is oil for the purposes of section 3(1D)), for “subsection (1D)” substitute “ subsections (1C) and (1D) ”.
- (4) The amendments made by subsections (1) to (3) apply to expenditure incurred on or after 7th March 2001.
- (5) Subsections (6) to (8) apply where—
- (a) on or after 7th March 2001 a participator in a taxable field (“the transitional participator”) incurs expenditure that falls to be apportioned under the new provision,
 - (b) the transitional participator was a participator in the field both immediately before, and at the beginning of, 7th March 2001,
 - (c) the qualifying asset that is relevant to the incurring of the expenditure was, at both of the times mentioned in paragraph (b), a qualifying asset in relation to the transitional participator and the field, and
 - (d) at a time before 7th March 2001—
 - (i) a person was a participator in two or more oil fields, and
 - (ii) the asset was a qualifying asset in relation to that person and each of at least two of those fields.
- (6) If there would be no apportionment of the expenditure under the old provision, for the purpose of applying the new provision to the expenditure “the relevant portion” of the expenditure is the taxable field portion.
- (7) If the expenditure would be apportioned between two or more oil fields under the old provision, for the purpose of applying the new provision to the expenditure “the relevant portion” of the expenditure is the portion of the taxable field portion which it is just and reasonable to apportion to use of the asset in connection with the field.
- (8) In carrying out that apportionment of the taxable field portion, ignore use of the asset in connection with an oil field that is not one of the oil fields between which the expenditure would be apportioned under the old provision.
- (9) In subsections (6) to (8) “the taxable field portion” means the portion of the expenditure that it is just and reasonable to apportion to use of the asset in connection with a taxable field.
- (10) In subsections (5) to (8)—
- “the new provision” means section 3(1C) of the Oil Taxation Act 1975 (c. 22) as substituted by subsection (1);
 - “the old provision” means section 3(1C) of that Act as it would have effect apart from the amendments made by subsections (1) to (3);
 - “qualifying asset” has the same meaning as it has for the purposes of the Oil Taxation Act 1983 (c. 56) (see section 8 of that Act).
- (11) Subsections (5) to (10) shall be construed as one with Part 1 of the Oil Taxation Act 1975.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2001, Section 102.