



# Finance Act 1985

## 1985 CHAPTER 54

### PART IV

#### OIL TAXATION

#### **90 Limitations on relief for exploration and appraisal expenditure.**

- (1) With respect to expenditure incurred on or after 19th March 1985, section 5A of the <sup>M1</sup>Oil Taxation Act 1975 (allowance of exploration and appraisal expenditure) shall be amended in accordance with subsections (3) to (5) below.
- (2) with respect to expenditure incurred on or after 1st April 1986, in subsection (2) of the said section 5A (the purposes for which expenditure is to be incurred to qualify for relief), for the words “the United Kingdom, the territorial sea thereof”, in each place where they occur, there shall be substituted “the territorial sea of the United Kingdom”.
- <sup>X1</sup>(3) After subsection (2) there shall be inserted the following subsection—

“(2A) Any reference in subsection (2) above to a designated area does not include a sector which, by virtue of subsection (3)(b) of section 107 of the Finance Act 1980 (transmedian fields), is deemed to be a designated area”
- <sup>X1</sup>(4) In subsection (5) (which modifies the application of certain provisions of section 5 of the <sup>M2</sup>Oil Taxation Act 1975 in relation to section 5A) in paragraph (c) (which excludes certain receipts from being taken into account under subsection (6) of section 5 of that Act and thereby prevents the expenditure which qualifies for relief being reduced on account of those receipts) for the words from “does not include” onwards there shall be substituted—

“(i) includes a reference to a sum received, or treated by virtue of subsection (5A) below as received, from the disposal of oil won in the course of operations carried out for any of the purposes in paragraphs (a) to (c) of subsection (2) of this section; but

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1985, Section 90. (See end of Document for details)*

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(ii) does not include a reference to a sum received for the assignment of any of the rights conferred by a licence or of any interest in a licensed area”

<sup>X1</sup>(5) After subsection (5) there shall be inserted the following subsections—

“(5A) Subsection (5B) below applies in any case where—

- (a) oil which is won as mentioned in paragraph (c)(i) of subsection (5) above is either disposed of otherwise than in sales at arm’s length or appropriated to refining or to any use except for production purposes of an oil field, and
- (b) if that oil had been disposed of in a sale at arm’s length, then, by virtue of section 5(6) of this Act as applied by subsection (5) above, certain expenditure would have been reduced by reference to the receipt of a sum from that disposal.

(5B) Where this subsection applies, the oil concerned shall be treated for the purposes of subsection (5)(c)(i) above and section 5(6) of this Act as having been disposed of for a sum equal to its market value at the material time in the calendar month in which it was disposed of or appropriated as mentioned in subsection (5A)(a) above and, accordingly, for those purposes—

- (a) a sum equal to that market value shall be treated as having been received from that disposal; and
- (b) no account shall be taken of any sum actually received from the disposal of any of that oil.

(5C) In the application of Schedule 3 to this Act for the purpose of ascertaining the market value of oil as mentioned in subsection (5B) above,—

- (a) in paragraph 2, in paragraph (c) of sub-paragraph (2) for the words from the beginning to “paragraph in question” there shall be substituted “the contract is for the sale of the whole quantity of oil whose market value falls to be ascertained for the purposes of section 5A(5B) of this Act”;
- (b) sub-paragraph (3) and (4) of paragraph 2 shall be omitted; and
- (c) any reference in paragraphs 2 and 2A to oil being relevantly appropriated shall be construed as a reference to its being appropriated as mentioned in subsection (5A)(a) above”

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#### **Editorial Information**

**X1** Part of the text of ss. 67(2), 72(6), 90(3)-(5), 91(1) and (3), 92(2)(4), 96(1), Sch. 19 paras. 1(2) (3), 2(2), 3(3), 5(5)( a ), 20(2), Sch. 27 is in the form in which it was originally enacted: it was not reproduced in Statutes in Force and does not reflect any amendments or repeals that may have been made prior to 1.2.1991

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#### **Marginal Citations**

**M1** 1975 c. 22.  
**M2** 1975 c. 22.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 1985, Section 90.