

SCHEDULES

SCHEDULE 20

CAPITAL ALLOWANCES: OFFSHORE OIL INFRASTRUCTURE

PART 2

CHARGEABLE PERIODS ENDING ON OR AFTER 1ST OR 6TH APRIL 2001

Writing-down allowances: infrastructure from UK or non-UK oil fields

- 5 (1) In Chapter 13 of Part 2 of the Capital Allowances Act 2001 (c. 2) (plant and machinery allowances: provisions affecting mining and oil industries), after section 161 insert—

“Expenditure connected with reuse etc. of offshore oil infrastructure

161A Meaning of “offshore infrastructure”

- (1) In sections 161C and 161D “offshore infrastructure” means—
- (a) an offshore installation within the meaning given by section 44 of the Petroleum Act 1998 (c. 17) or a part of such an installation, or
 - (b) something that would be, or would be a part of, an offshore installation within that meaning if in subsection (3) of that section “relevant waters” meant waters in a foreign sector of the continental shelf and other foreign tidal waters, or
 - (c) a pipeline within the meaning of section 26 of that Act, or a part of such a pipeline, that is in, under or over waters in—
 - (i) the territorial sea adjacent to the United Kingdom, or
 - (ii) an area designated under section 1(7) of the Continental Shelf Act 1964 (c. 29), or
 - (d) a pipeline within the meaning of section 26 of the Petroleum Act 1998 (c. 17), or a part of such a pipeline, that is in, under or over waters in a foreign sector of the continental shelf.

- (2) In subsection (1)(b) and (d)—

“foreign sector of the continental shelf” means an area within which rights are exercisable with respect to the sea bed and subsoil and their natural resources by a country or territory outside the United Kingdom;

“foreign tidal waters” means tidal waters in an area within which rights are exercisable with respect to the bed and subsoil of the body of water in question and their natural resources by a country or territory outside the United Kingdom.

161B Meaning of “decommissioning expenditure”

- (1) In sections 161C and 161D “decommissioning expenditure” means expenditure in connection with—
 - (a) preserving plant or machinery pending its reuse or demolition,
 - (b) preparing plant or machinery for reuse, or
 - (c) arranging for the reuse of plant or machinery.
- (2) It is immaterial for the purposes of subsection (1)(a) whether the plant or machinery is reused, is demolished or is partly reused and partly demolished.
- (3) It is immaterial for the purposes of subsection (1)(b) and (c) whether the plant or machinery is in fact reused.

161C Expenditure related to reuse etc. qualifies for writing-down allowances

- (1) This section applies where—
 - (a) a person carrying on a trade of oil extraction incurs decommissioning expenditure, and
 - (b) the plant or machinery concerned—
 - (i) has been brought into use for the purposes of the trade, and
 - (ii) is, or was when last in use for those purposes, offshore infrastructure.
- (2) The decommissioning expenditure is allocated to the appropriate pool for the chargeable period in which it is incurred.
- (3) Subsection (2) is subject to sections 161D and 164(4).
- (4) In subsection (2) “the appropriate pool” means the pool to which the expenditure on the plant or machinery concerned has been or would be allocated in accordance with this Part.

161D Exceptions to section 161C(2)

- (1) Subsection (2) of section 161C does not apply to decommissioning expenditure on UK infrastructure unless it is incurred in connection with measures taken, wholly or substantially, in order to comply with—
 - (a) an abandonment programme within the meaning given by section 29 of the Petroleum Act 1998 (c. 17), or
 - (b) any condition to which the approval of such a programme is subject.
- (2) Subsection (2) of section 161C does not apply to expenditure in respect of which an allowance or deduction could be made apart from that subsection in taxing, or computing, the person’s income for any tax purpose.
- (3) For the purposes of subsection (1), decommissioning expenditure is “on UK infrastructure” if the plant or machinery concerned—
 - (a) is offshore infrastructure within section 161A(1)(a) or (c), or
 - (b) is not offshore infrastructure but was offshore infrastructure within section 161A(1)(a) or (c) when last in use for the purposes of the trade.”.

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

- (2) In section 57(2) of the Capital Allowances Act 2001 (c. 2) (available qualifying expenditure in pool includes amounts allocated to pool under specified provisions), before the entry for section 165(3) insert—

“section 161C(2) (decommissioning expenditure incurred by person carrying on trade of oil extraction);”.

Ring fence trades: meaning of “abandonment expenditure”

- 6 (1) Section 163 of the Capital Allowances Act 2001 (c. 2) (meaning of “abandonment expenditure”) is amended as follows.

- (2) In subsection (2)(b), for “the demolition of” substitute “decommissioning”.
- (3) In subsection (2)(b)(ii), at the end insert “or which, when last in use for the purposes of a ring-fence trade, was, or formed part of, such an installation or pipeline.”.
- (4) In subsection (3), for “demolition” substitute “decommissioning”.
- (5) After subsection (4) insert—

“(4A) In this section “decommissioning”, in relation to any plant or machinery, means—

- (a) demolishing the plant or machinery,
- (b) preserving the plant or machinery pending its reuse or demolition,
- (c) preparing the plant or machinery for reuse, or
- (d) arranging for the reuse of the plant or machinery.

(4B) In determining whether expenditure is incurred on preserving plant or machinery pending its reuse or demolition, it is immaterial whether the plant or machinery is reused, is demolished or is partly reused and partly demolished.

(4C) In determining whether expenditure is incurred on preparing plant or machinery for reuse, or on arranging for the reuse of plant or machinery, it is immaterial whether the plant or machinery is in fact reused.”.

Ring fence trades: special allowance for pre-cessation expenditure

- 7 (1) Section 164 of the Capital Allowances Act 2001 (c. 2) (abandonment expenditure incurred before cessation of ring fence trade) is amended as follows.

(2) In subsection (1) (person carrying on ring-fence trade may elect for special allowance if he incurs abandonment expenditure), after “incurs abandonment expenditure,” insert “and the plant or machinery concerned has been brought into use for the purposes of that trade,”.

(3) For paragraph (b) of subsection (3) (election must specify amounts received for remains of demolished plant or machinery) substitute—

“(b) where the plant or machinery concerned has been or is to be demolished, any amounts received for its remains.”.

(4) In subsection (4)(a) (entitlement to special allowance), the words “, of an amount equal to the net abandonment cost,” are omitted.

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

(5) For paragraph (b) of subsection (4) (section 26(3) does not apply where election made) substitute—

“(b) neither of sections 26(3) and 161C(2) (net cost of demolition where plant or machinery not replaced, or cost of preparing for reuse, added to existing pool) applies.”.

(6) For subsection (5) (meaning of “net abandonment cost”) substitute—

“(5) The amount of the special allowance for a chargeable period is equal to so much of the abandonment expenditure to which the election relates as is incurred in that period.

(6) If plant or machinery is demolished, the total of any special allowances in respect of expenditure on decommissioning the plant or machinery is reduced by any amount received for the remains of the plant or machinery.

Here “decommissioning” has the meaning given by section 163(4A).

(7) Effect is given to subsection (6) by setting the amount (until wholly utilised)

—
 first, against any special allowance for the chargeable period in which the amount is received (as previously reduced in giving effect to subsection (6));

second, against special allowances for earlier chargeable periods (as so reduced and taking later such periods before earlier ones); and

third, against special allowances for later chargeable periods (as so reduced and taking earlier such periods before later ones).”

Ring fence trades: allowances for post-cessation expenditure

8 (1) Section 165 of the Capital Allowances Act 2001 (c. 2) (abandonment expenditure incurred within 3 years of ceasing ring fence trade) is amended as follows.

(2) In subsection (1)(b) (section applies where abandonment expenditure incurred within 3 years of ceasing trade), the words “on the demolition of plant or machinery” are omitted.

(3) In subsection (3)(b) (amounts received for remains of plant or machinery are not taxable income), before “any amount received” insert “where any of the abandonment expenditure was incurred on the demolition of plant or machinery,”.

(4) In subsection (4), in the definition of “the relevant abandonment cost”, for “the plant or machinery” substitute “any plant or machinery on whose demolition any of the abandonment expenditure was incurred”.

Commencement of Part 2

9 (1) The amendments made by this Part of this Schedule (but see sub-paragraph (9)) apply to expenditure that is incurred—

- (a) on or after 7th August 2000, and
- (b) in a relevant chargeable period.

(2) The amendments made by paragraph 5 also apply to expenditure incurred before 7th August 2000 if the expenditure—

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

- (a) is incurred in a relevant chargeable period, and
 - (b) is within sub-paragraph (3) or (4).
- (3) Expenditure is within this sub-paragraph if—
- (a) it is decommissioning expenditure on UK infrastructure, and
 - (b) it is incurred in connection with an abandonment programme approved on or after 7th August 2000.
- (4) Expenditure is within this sub-paragraph if—
- (a) it is decommissioning expenditure,
 - (b) it is not decommissioning expenditure on UK infrastructure, and
 - (c) it is incurred in connection with a decommissioning activity that takes place on or after 7th August 2000.
- (5) The amendments made by paragraphs 6 to 8 (but see sub-paragraph (9)) also apply to expenditure incurred before 7th August 2000 if the expenditure—
- (a) is incurred in a relevant chargeable period, and
 - (b) is incurred in connection with an abandonment programme approved on or after 7th August 2000.
- (6) In sub-paragraphs (3) and (4), “decommissioning expenditure” and “decommissioning expenditure on UK infrastructure” have the same meaning as in the sections 161C and 161D inserted by paragraph 5.
- (7) In sub-paragraph (4)(c) “decommissioning activity” means an activity mentioned in any of paragraphs (a) to (c) of the section 161B(1) inserted by paragraph 5.
- (8) In this paragraph “relevant chargeable period” means—
- (a) for income tax purposes, a chargeable period ending on or after 6th April 2001, and
 - (b) for corporation tax purposes, a chargeable period ending on or after 1st April 2001.
- (9) Sub-paragraphs (1) to (8) do not apply to the amendments made by paragraphs 7(2) and 8(2).

Those amendments shall be deemed always to have had effect.