



Oil Taxation Act 1983

1983 CHAPTER 56

Charge of receipts

6 Chargeable tariff receipts

- (1) In computing under section 2 of the principal Act the assessable profit or allowable loss accruing to a participator from an oil field in any chargeable period ending after 30th June 1982, the positive amounts for the purposes of that section (as specified in subsection (3)(a) thereof) shall be taken to include any tariff receipts of the participator attributable to that field for that period.
- (2) Subject to the provisions of this section, for the purposes of this Act the tariff receipts of a participator in an oil field which are attributable to that field for any chargeable period are the aggregate of the amount or value of any consideration (whether in the nature of income or capital) received or receivable by him in that period (and after 30th June 1982) in respect of—
 - (a) the use of a qualifying asset; or
 - (b) the provision of services or other business facilities of whatever kind in connection with the use, otherwise than by the participator himself, of a qualifying asset.
- (3) Any reference in this Act to the asset to which any tariff receipts are referable is a reference to the qualifying asset referred to in paragraph (a) or, as the case may be, paragraph (b) of subsection (2) above.
- (4) Notwithstanding anything in subsection (2) above, any amount which—
 - (a) is, in relation to the person giving it, expenditure in respect of interest or any other pecuniary obligation incurred in obtaining a loan or any other form of credit, or
 - (b) is referable to the use of an asset for, or the provision of services or facilities in connection with, deballasting,does not constitute a tariff receipt for the purposes of this Act; and, accordingly, any consideration which includes such an amount shall be apportioned in such manner as is just and reasonable.

- (5) Schedule 2 to this Act shall have effect for supplementing the provisions of this section and of sections 7 and 8 below.

7 Chargeable receipts from disposals

- (1) In computing under section 2 of the principal Act the assessable profit or allowable loss accruing to a participator from an oil field in any chargeable period ending after 30th June 1982, the positive amounts for the purposes of that section (as specified in subsection (3)(a) thereof) shall be taken to include any disposal receipts of the participator attributable to that field for that period.
- (2) Subject to the provisions of this section, for the purposes of this Act the disposal receipts of a participator in an oil field which are attributable to that field for any chargeable period are the aggregate of the amount or value of any consideration received or receivable by him in respect of the disposal in that period of a qualifying asset or of an interest in such an asset.
- (3) Where there is such a redetermination as is mentioned in subsection (4) of section 107 of the Finance Act 1980 (trans-median fields) and in consequence thereof the participators in the field receive a repayment, credit or set-off in respect of expenditure which was incurred in acquiring, bringing into existence or enhancing the value of a qualifying asset or an interest in it, the repayment shall be regarded as consideration received as mentioned in subsection (2) above in respect of the disposal of an interest in the asset.
- (4) No account shall be taken under subsection (2) above of any disposal of, or of an interest in, a qualifying asset which takes place more than two years after the time at which the asset—
- (a) ceases to be used in connection with any oil field what soever, or
 - (b) ceases to give rise to tariff receipts of the participator referred to in that subsection,
- whichever is the later.
- (5) Notwithstanding anything in subsection (2) or subsection (3) above, any amount which, in relation to the person paying it—
- (a) is expenditure in respect of interest or any other pecuniary obligation incurred in obtaining a loan or any other form of credit, or
 - (b) is a payment made for the purpose of obtaining a direct or indirect interest in oil won or to be won from an oil field,
- does not constitute a disposal receipt for the purposes of this Act; and accordingly, any consideration which includes such an amount shall be apportioned in such manner as is just and reasonable.
- (6) If in any claim period a qualifying asset gives rise to disposal receipts of a participator and any expenditure incurred by the participator is expenditure which in that period qualifies for supplement under paragraph (b)(ii) or paragraph (c)(ii) of subsection (9) of section 2 of the principal Act, then, except in so far as it is expenditure falling within section 111(7) of the Finance Act 1981 (certain expenditure incurred before 1st January 1983).—
- (a) the amount which, apart from this subsection, would in his case be taken into account under either or both of those paragraphs shall be reduced by deducting

- therefrom a fraction thereof determined under subsection (7) below or, if that fraction exceeds unity, shall be taken to be nil; and
- (b) references in subsections (2) and (3) of section 9 of the principal Act (limit on amount of tax payable) to expenditure which was not allowed as qualifying for supplement under section 2(9)(b)(ii) or (c)(ii) shall be construed accordingly.
- (7) For the claim period referred to in subsection (6) above, the fraction referred to in paragraph (a) of that subsection is that of which—
- (a) the numerator, subject to subsection (8) below, is the disposal receipts of the participator in question for that period in respect of the qualifying asset referred to in subsection (6) above or, if it is less, the expenditure allowed or allowable to the participator in respect of that asset under section 3 above or section 4 of the principal Act; and
 - (b) the denominator is so much of the total amount of expenditure allowable for the field on a claim for the claim period referred to in subsection (6) above as, in the case of the participator in question, falls to be taken into account under paragraphs (b)(i) and (c)(i) of subsection (9) of section 2 of the principal Act; and in paragraph (b) above "allowable" means allowable under section 3 or section 4 of the principal Act or under section 3 above.
- (8) If the disposal receipts in question relate to a disposal of an interest in the asset, rather than the asset itself, then the reference in subsection (7)(a) above to certain expenditure shall be construed as a reference to such proportion only of that expenditure as it is just and reasonable to apportion to the interest disposed of.

8 Qualifying assets

- (1) Subject to paragraph 4 of Schedule 2 to this Act, for the purposes of this Act a "qualifying asset", in relation to a participator in an oil field, means an asset—
- (a) which either is not a mobile asset or is a mobile asset dedicated to that oil field; and
 - (b) in respect of which expenditure incurred by the participator is allowable, or has been allowed, for that field under section 3 above, section 4 of the principal Act or, subject to subsection (2) below, section 3 of that Act.
- (2) If, in respect of any asset, the only expenditure which falls within subsection (1)(b) above is expenditure allowable or allowed under section 3 of the principal Act, the asset shall not be a qualifying asset unless, at the time the expenditure was incurred, it was expected that the useful life of the asset would continue after the end of the claim period in which the asset was to be first used in a way which would constitute use in connection with an oil field for the purposes of that section.
- (3) Subject to subsection (4) below, the oil field to which are attributable tariff receipts or disposal receipts referable to a qualifying asset is that field for which the expenditure referred to in subsection (1)(b) above is allowable; and, if there is more than one such field, then.—
- (a) in the case of a mobile asset, no account shall be taken of a field to which it is not dedicated; and
 - (b) no account shall be taken of a field in relation to which the asset is a qualifying asset by virtue only of paragraph 1 of Schedule 1 to this Act; and
 - (c) subject to paragraphs (a) and (b) above, it is that one of those fields in relation to which a development decision was first made ;

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and subsection (7) of section 5A of the principal Act (time when development decision is made) shall have effect for the purposes of paragraph (c) above as it has effect for the purposes of subsection (1)(c) of that section.

- (4) In the case of an asset which, in relation to the participator in question, is a qualifying asset by virtue only of paragraph 1 of Schedule 1 to this Act, the oil field to which are attributable tariff receipts or disposal receipts referable to the asset is that to which (in accordance with subsection (3) above) those receipts would be attributable if they were referable to the other asset referred to in sub-paragraph (1)(d) of that paragraph (that is to say, the asset in association with which the first asset is, or is expected to be, used).
- (5) In relation to a qualifying asset or the tariff receipts or disposal receipts referable to it, in this Act "chargeable field" means the field referred to in subsection (3) or, as the case may be, subsection (4) above.

9 Tariff receipts allowance

- (1) Subject to the provisions of this section and Schedule 3 to this Act if, in computing the assessable profit or allowable loss accruing to a participator from an oil field (in this section referred to as "the principal field") in any chargeable period, account would be taken, apart from this section, of an amount of qualifying tariff receipts received or receivable by him for that period from a user field, then, for the purpose of determining his liability (if any) to tax for that period, the amount of those qualifying tariff receipts shall be treated as reduced as follows, that is to say.—
- (a) if that amount exceeds the cash equivalent of his share of the tariff receipts allowance in respect of that user field for that period, to an amount equal to the excess ; or
 - (b) if that amount equals the cash equivalent of his share of that allowance, to nil.
- (2) Subject to subsections (3) and (4) below, for the participators in the principal field there shall be, for each chargeable period, a separate tariff receipts allowance of 250,000 metric tonnes in respect of each user field.
- (3) In a case where the whole of the qualifying tariff receipts of the participators in the principal field from a particular user field are receipts under a contract or contracts made before 8th May 1982, subsection (2) above shall have effect with respect to chargeable periods ending on or before 30th June 1987 with the substitution, for 250,000 metric tonnes, of 375,000 metric tonnes.
- (4) Schedule 3 to this Act shall have effect—
- (a) for determining for the purposes of this section the cash equivalent of a participator's share of the tariff receipts allowance in respect of a user field for a chargeable period; and
 - (b) generally for supplementing subsections (1) to (3) above.
- (5) Any reference in this section or in Schedule 3 to this Act to a user field is a reference—
- (a) to an oil field other than the principal field ; or
 - (b) to an area which is not under the jurisdiction of the government of the United Kingdom but which, by an order made by statutory instrument by the Secretary of State for the purposes of this Act, is specified as a foreign field.
- (6) In this section—
- (a) "qualifying tariff receipts" means tariff receipts in relation to which the principal field is the chargeable field and which are attributable to, or to the

provision of services or other business facilities in connection with, the use of any asset for extracting, transporting, initially treating or initially storing oil won otherwise than from the principal field ; and

- (b) any reference to qualifying tariff receipts received from a user field is a reference to any of those receipts which are received from a participator in the user field in respect of the use of an asset for extracting, transporting, initially treating or initially storing oil won from that field or the provision of services or other business facilities in connection with that use ;

and, for the purposes of this section and Schedule 3 to this Act, an oil field which, by virtue of section 107 of the Finance Act 1980 (transmedian fields), is deemed to include the sector mentioned in subsection (1)(a)(ii) of that section, shall be treated as two separate oil fields, one being that sector and the other being the rest of the field.

- (7) In relation to any user field which is not an oil field within the meaning of the principal Act.—

- (a) references to oil are references to any substance that would be oil within the meaning of that Act if the enactments mentioned in section 1(1) thereof extended to the user field; and
- (b) references to a participator are references to a person who is, or has rights, interests or obligations of, a licensee in respect of the user field under the law of a country outside the United Kingdom.

- (8) Section 111 of the Finance Act 1981 (restriction of expenditure supplement) shall have effect with respect to chargeable periods ending after 1st July 1982 with the insertion, at the end of paragraph (c) of subsection (3), of the words “and

- (d) if any qualifying tariff receipts, within the meaning of section 9 of the Oil Taxation Act 1983, are received or receivable by the participator for that period, any amount by which those receipts are treated as reduced by virtue of that section shall be brought into account in that computation as an addition to the positive amounts referred to in section 2(3)(a) of the principal Act”.

- (9) For the purposes of this section and Schedule 3 to this Act 1,100 cubic metres of oil consisting of gas at the temperature and pressure mentioned in section 1(4) of the principal Act shall be counted as equivalent to one metric tonne of oil other than gas.

- (10) In any case where there is in force a scheme which, for the purposes of section 108 of the Finance Act 1980 (gas banking schemes) is either a gas banking scheme or an international gas banking scheme, then, whether or not an election is made under that section, in determining for the purposes of this section and Schedule 3 to this Act what oil is won from a particular user field, oil consisting of gas which is transferred to a user field pursuant to the scheme shall be treated as won from that field.

10 Returns relating to tariff and disposal receipts

- (1) A return made by a participator in an oil field under paragraph 2 of Schedule 2 to the principal Act shall contain the following particulars—
 - (a) a statement of the amount or value and the source of any tariff receipts or disposal receipts of the participator which are attributable to that field for the chargeable period to which the return relates; and
 - (b) a statement of the assets to which any such tariff receipts or disposal receipts are referable ; and

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- (c) such other particulars as the Board may prescribe with respect to any such tariff receipts or disposal receipts.
- (2) In any case where.—
- (a) before the commencement of this Act, a participator in an oil field has made a return under paragraph 2 of Schedule 2 to the principal Act in respect of a chargeable period, and
 - (b) if subsection (1) above had been in force at the time that the return was made, the return would have been required to contain the particulars referred to in paragraphs (a) to (c) of that subsection,
- the participator shall prepare and before 30th June 1984 deliver to the Board a supplementary return for that chargeable period identifying it and containing those particulars.
- (3) Paragraphs 2(4) and 3 of Schedule 2 to the principal Act shall apply in relation to a supplementary return under subsection (2) above with the substitution of a reference to that subsection for the reference in paragraph 3(1) to paragraph 2(1) of that Schedule.
- (4) With respect to chargeable periods ending after the passing of this Act, paragraph 5 of Schedule 2 to the principal Act (returns by the responsible person) shall be amended by inserting, after sub-paragraph (2), the following sub-paragraph: —
- “(2A) The reference in sub-paragraph (2)(d) above to particulars of or relating to the field includes a reference to particulars required for determining the amount by which any qualifying tariff receipts, within the meaning of section 9 of the Oil Taxation Act 1983, are to be treated as reduced by virtue of that section.”
- (5) In the return under paragraph 5 of Schedule 2 to the principal Act for the chargeable period ending on 30th June 1984, the Board may require the responsible person to include particulars required for determining the amount by which any qualifying tariff receipts, within the meaning of section 9 above, are to be treated as reduced by virtue of that section for earlier chargeable periods.
- (6) The Schedule to the Petroleum Revenue Tax Act 1980 shall be amended by inserting after sub-paragraph (2) of paragraph 2 the following sub-paragraph: —
- “(2A) The amount of any tariff or disposal receipts, within the meaning of the Oil Taxation Act 1983, shall be taken from the particulars included in the return referred to in sub-paragraph (2) above, and any amount by which any of those tariff receipts are to be treated as reduced under section 9 of that Act shall be determined accordingly.”

11 Treatment of tariff receipts for purposes of income and corporation taxes

- (1) Any sum which—
- (a) constitutes a tariff receipt of a person who is a participator in an oil field, and
 - (b) constitutes consideration in the nature of income rather than capital, and
 - (c) would not, apart from this subsection, be treated for the purposes of Part II of the principal Act (income and corporation tax aspects of oil extraction activities etc.) as a receipt of the separate trade referred to in section 13(1) of that Act,
- shall be so treated for those purposes.

- (2) To the extent that they would not otherwise be so treated, the activities of a participator in an oil field or a person connected with him in making available an asset in a way which gives rise to tariff receipts of the participator shall be treated for the purposes of Part II of the principal Act as oil extraction activities.
- (3) In determining for the purposes of subsection (1) above whether any sum constitutes a tariff receipt of a person who is a participator, no account shall be taken of any sum which—
 - (a) is in fact received or receivable by a person connected with the participator, and
 - (b) constitutes a tariff receipt of the participator,but in relation to the person by whom such a sum is actually received, subsection (1) above shall have effect as if he were a participator and as if the condition in paragraph (a) of that subsection were fulfilled.
- (4) References in this section to a person connected with a participator include references to a person with whom the participator is associated, within the meaning of paragraph 11 of Schedule 2 to this Act.
- (5) This section shall be deemed to have come into force on 1st July 1982.

12 Charge of receipts attributable to U.K. use of foreign field assets

- (1) The provisions of Schedule 4 to this Act have effect for the purpose of bringing into charge to tax the amount or value of certain consideration (whether in the nature of income or capital) which is received or receivable after 30th June 1982 by a participator in a foreign field—
 - (a) in respect of the United Kingdom use of a field asset; or
 - (b) in respect of the provision, in connection with the United Kingdom use of a field asset, of services or other business facilities of whatever kind ; or
 - (c) in respect of the disposal of a field asset or an interest in such an asset where either the asset has already been in United Kingdom use or it is reasonable to expect that, after the disposal, the asset will be in United Kingdom use.
- (2) In this section and Schedule 4 to this Act—
 - (a) " foreign field " means, subject to subsection (3) below, an area which is not under the jurisdiction of the government of the United Kingdom but which, by an order made by statutory instrument by the Secretary of State for the purposes of this Act, is specified as a foreign field; and
 - (b) in relation to a foreign field, " participator " means a person who is, or has rights, interests or obligations of, a licensee in respect of the foreign field under the law of a country outside the United Kingdom.
- (3) For the purposes of this section and Schedule 4 to this Act. in the case of an oil field which, by virtue of section 107 of the Finance Act 1980 (transmedian fields) is deemed to include the sector mentioned in subsection (1)(a)(ii) of that section—
 - (a) that sector shall be treated as a foreign field ; and
 - (b) the remainder of that field shall be treated as a separate oil field.
- (4) In this section and Schedule 4 to this Act—
 - (a) " field asset", in relation to a foreign field, means an asset which—
 - (i) is not a mobile asset, and

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- (ii) is situated in the United Kingdom, the territorial sea thereof or a designated area, and
 - (iii) subject to subsection (6) below, is, has been or is expected to be used in a way which, on the assumptions in subsection (5) below, would be use in connection with the foreign field ; and
- (b) " United Kingdom use ", in relation to a field asset, means the use of the asset in connection with the exploration or exploitation of so much of the seabed and subsoil and their natural resources as is situated in the territorial sea of the United Kingdom or a designated area.
- (5) The assumptions referred to in subsection (4) (a) above are—
- (a) that every foreign field is situated in a designated area and is an oil field within the meaning of Part I of the principal Act; and
 - (b) that references in Part I of the principal Act to oil are references to any substance that would be oil if the enactments mentioned in section 1(1) thereof extended to the foreign field.
- (6) For the purposes of this section and Schedule 4 to this Act an asset which falls within sub-paragraphs (i) and (ii) of paragraph (a) of subsection (4) above but does not fall within sub-paragraph (iii) of that paragraph is nevertheless a field asset if—
- (a) its use gives rise or is expected to give rise to consideration which, assuming the asset to be a field asset, would fall within subsection (1) above ; and
 - (b) its useful life continues, or is expected to continue, for more than six months after the time at which the consideration referred to in paragraph (a) above is first received or receivable ; and
 - (c) it is, or is expected to be, used in association with another asset which is a field asset.
- (7) For the purposes of subsection (6)(c) above, an asset shall not be regarded as used in association with a field asset unless it is so used in a way which constitutes use in connection with an oil field or would constitute such use but for section 10(2) of the principal Act (exempt gas).