



# Oil Taxation Act 1983

## 1983 CHAPTER 56

### *Reliefs for expenditure*

#### **1 Expenditure incurred on non-dedicated mobile assets.**

- (1) Subject to subsection (3) below, with respect to expenditure which is or was incurred after 30th June 1982 in acquiring, bringing into existence or enhancing the value of an asset, section 4 of the principal Act (allowance of expenditure on long-term assets) shall apply only where—
- (a) the asset is a mobile asset which is not dedicated to the oil field referred to in subsection (1) of that section; or
  - (b) the expenditure is incurred as mentioned in section 13(1)(b) below.
- (2) Where section 4 of the principal Act applies as mentioned in subsection (1)(a) above, it shall so apply with the following modifications:—
- (a) in subsection (1), after the words “subsection (13) below” there shall be inserted the words “and section 1 of the Oil Taxation Act 1983” and for the words from “whose useful life” to “used” there shall be substituted the words “which, at the end of the first relevant claim period, is or is expected to be a long-term asset as defined in section 3(8) of the Oil Taxation Act 1983”;
  - (b) subsections (3) and (4) shall be omitted;
  - (c) in subsection (5), paragraph (a) and the words “in any other case” in paragraph (b) shall be omitted and, in paragraph (b), for the words “that connection” there shall be substituted the words “connection with the field”;
  - (d) subsection (6) shall be omitted;
  - (e) in subsection (7), for the words from the beginning to “each subsequent claim period” there shall be substituted the words “For each claim period subsequent to the first relevant claim period and” and for the words “subsections (5) and (6)” there shall be substituted the words “subsection (5)”;
  - (f) in subsection (11) for the words from “subsections (5)” to “they apply” there shall be substituted the words “subsection (5) above (including that subsection as it applies”.

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- (3) If the asset referred to in subsection (1)(a) above becomes dedicated to the oil field referred to in subsection (1) of section 4 of the principal Act or is or becomes dedicated to another oil field,—
- (a) expenditure incurred as mentioned in subsection (1) above shall not be allowable under section 4 of the principal Act for a claim period for which it is allowable under section 3 below nor, subject to paragraph (b) below, for a claim period which falls wholly or partly within a claim period of another field to which the asset is or becomes dedicated, being a claim period for which the expenditure is allowable; and
  - (b) where expenditure incurred in relation to the asset becomes allowable under section 3 below, no part of that expenditure shall be allowable under section 4 of the principal Act for any claim period ending less than six months before the end of a claim period for which the expenditure is allowable under section 3 below.
- (4) Paragraph 4 of Schedule 4 to the principal Act (reduction of allowable expenditure on disposal of long-term asset formerly used in connection with an oil field) does not apply to any disposal of an asset after 30th June 1982 unless the asset is a mobile asset which is not dedicated to the oil field referred to in section 4(1) of the principal Act.

## 2 Dedicated mobile assets.

- (1) For the purposes of this Act and Part I of the principal Act a mobile asset becomes dedicated to a particular oil field in a claim period if—
- (a) the asset is used in connection with that field during the whole or part of that claim period; and
  - (b) the asset was not, at the beginning of that period, already dedicated to that field; and
  - (c) at the end of that period it is reasonable to make the assumptions in subsection (2) below.
- (2) The assumptions referred to in paragraph (c) of subsection (1) above are—
- (a) that during the whole or substantially the whole of the relevant period, the asset will be used in connection with the field referred to in that subsection (whether or not that use will be exclusive to that field); and
  - (b) that the main use of the asset during the whole of the relevant period will be in connection with that field or with two or more oil fields of which that field is one.
- (3) In any case where—
- (a) at or before the time when he is a participator in an oil field, a person incurs expenditure in bringing into existence a mobile asset, and
  - (b) that expenditure is so incurred in a claim period for that field which is earlier than that in which the asset is first used by that person in connection with that field, and
  - (c) at the end of that claim period, it is reasonable to make the assumptions in subsection (2) above, and
  - (d) the circumstances are such that the asset is not a brought-in asset, as defined in section 4(12)(a) of the principal Act,

then, as respects any claim for the allowance of the expenditure referred to in paragraph (a) above which is made before the asset is first used as mentioned in

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paragraph (b) above, the asset shall be regarded for the purposes of this Act and Part I of the principal Act as becoming dedicated to the oil field in question in the claim period referred to in paragraphs (b) and (c) above.

- (4) In subsection (2) above “the relevant period” means the period beginning at the end of the claim period referred to in subsection (1) above or, where subsection (3) above applies, at the end of the claim period in which it can reasonably be expected that the asset will be first used, and ending—
- (a) at the end of the useful life of the asset, or
  - (b) when the winning of oil from the field in question permanently ceases,
- whichever first occurs.
- (5) If, in the case of a mobile asset which would not be dedicated to a particular oil field but for the provisions of subsection (3) above, it becomes apparent at any time that it is no longer reasonable to make the assumptions in subsection (2) above, then the asset concerned shall be regarded for the purposes of this Act and Part I of the principal Act as never having been dedicated to that field; and the provisions of paragraph 9 of Schedule 5 to the principal Act (variations of decisions on claims for allowable expenditure) shall have effect accordingly.

**Modifications etc. (not altering text)**

C1 S. 2 modified (27.7.1993) by 1993 c. 34, s. 190(2)

### **3 Expenditure incurred on long-term assets other than non-dedicated mobile assets.**

- (1) Subject to section 13 below, this section applies to expenditure (whether or not of a capital nature) which is or was incurred by a person after 30th June 1982 and at or before the time when he is or was a participator in an oil field, being expenditure incurred, subject to subsection (2) below, in acquiring, bringing into existence, or enhancing the value of an asset—
- (a) which, at the end of the relevant claim period, is being or is expected to be used in connection with the field; and
  - (b) which, at the end of the relevant claim period, is or is expected to be a long-term asset; and
  - (c) which either is not a mobile asset or is a mobile asset which became dedicated to that field in the relevant claim period or in any earlier claim period.
- (2) This section does not apply to expenditure incurred as mentioned in subsection (1) above in any case where the Board consider that its application to that expenditure would have only a negligible effect on the total expenditure allowable under Part I of the principal Act for the field and so notify the responsible person.
- (3) Part I of Schedule 1 to this Act shall have effect for the purpose of allowing relief for certain expenditure which would not otherwise fall within this section or, as the case may be, section 3 of the principal Act.
- (4) Except as provided by subsections (6) and (7) and <sup>[F1]</sup>sections 3A and 4] below and Part II of Schedule 1 to this Act, the whole of any expenditure to which this section applies shall be allowable on a claim under Schedule 5 or Schedule 6 to the principal Act for the relevant claim period.

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- (5) The relevant claim period referred to in subsections (1) and (4) above is—
- (a) the claim period which is appropriate under paragraph 2 of Schedule 5 or, as the case may be, paragraph 1 of Schedule 6 to the principal Act; or
  - (b) if the asset is a brought-in asset, as defined in section 4(12)(a) of the principal Act, and the expenditure has not already been allowable for an earlier claim period by virtue of paragraph (a) above, the claim period in which the asset is first used in connection with the field in question, discounting, in the case of a mobile asset, any claim period in which it was not dedicated to that field; or
  - (c) if the asset is a mobile asset and paragraph (b) above does not apply and the expenditure has not already been allowable for an earlier claim period by virtue of paragraph (a) above, the claim period in which the asset became dedicated to the field in question.
- (6) Subsections (3) to (5A) of section 3 of the principal Act apply for the purposes of this section and Schedule 1 to this Act as they apply for the purposes of that section; and, except in so far as section 5 below provides to the contrary, any reference to section 4 of the principal Act (but not a reference to any specific provision of that section) in—
- (a) Part I of that Act,
  - (b) any enactment, other than this Act, which is to be construed as one with that Part, or
  - (c) section 107 of the <sup>M1</sup>Finance Act 1980 (transmedian fields), shall be construed as including a reference to this section, section 4 below and Schedule 1 to this Act.
- (7) Section 4(13) of the principal Act (interests in assets) applies to the preceding provisions of this section and the provisions of Schedule 1 to this Act; and those provisions are subject to paragraph 2 of Schedule 4 and to Schedules 5 and 6 to the principal Act.
- (8) In this section “long-term asset” means an asset the useful life of which continues after the end of the claim period in which it is first used in connection with the oil field in question.

#### Textual Amendments

- F1** Words in s. 3(4) substituted (with effect in accordance with s. 285(6)(b) of the commencing Act) by Finance Act 2004 (c. 12), **Sch. 37 para. 2(2)** (with Sch. 37 Pt. 2)

#### Modifications etc. (not altering text)

- C2** S. 3 modified by 1975 c. 22, **Sch. 4 para. 2(1)(b)** (as inserted (with effect where the transaction to which 1975 c. 22, **Sch. 4 para. 2** applies takes place on or after 16.3.1993) by 1993 c. 34, **ss. 191(4)(6)**, )
- S. 3 modified (3.5.1994) by 1994 c. 9, **ss. 231, 234, Sch. 22 Pt. II para. 12**
- S. 3 restricted (27.7.1999 with effect as mentioned in s. 95(9)(10) of the amending Act) by 1999 c. 16, **s.95(2)**

#### Marginal Citations

- M1** 1980 c. 48.

**[<sup>F2</sup>3A Exclusion from section 3(4) of expenditure on assets giving rise to tax-exempt tariffing receipts**

- (1) This section applies where—
  - (a) expenditure incurred on or after 1st January 2004 falls within section 3 (1) above, but
  - (b) some of the use (or expected use) of the asset in relation to which the expenditure was incurred is use in a way that gives rise to tax-exempt tariffing receipts (see section 6A(2) below).
- (2) In any such case, such part of the expenditure as it is just and reasonable to apportion to the use mentioned in subsection (1)(b) above shall be excluded from the expenditure which is allowable as mentioned in section 3(4) above.]

**Textual Amendments**

- F2** S. 3A inserted (with effect in accordance with s. 285(6)(b) of the commencing Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 37 para. 3](#) (with [Sch. 37 Pt. 2](#))

**4 Expenditure related to exempt gas and deballasting.**

- (1) In any case where expenditure falls within section 3(1) above, but by reason of section 10(2) of the principal Act (exempt gas) some of the use (or expected use) of the asset is not use in connection with an oil field, such part of that expenditure as it is just and reasonable to apportion to that use (or expected use) shall be excluded from the expenditure which is allowable as mentioned in section 3(4) above.
- (2) In any case where expenditure—
  - (a) falls within section 3(1) above, or
  - (b) by virtue of any provision of Part I of Schedule 1 to this Act, falls within section 3 of the principal Act,but some of the use (or expected use) of the asset is use for deballasting, such part of that expenditure as it is just and reasonable to apportion to that use (or expected use) shall be excluded from the expenditure which is allowable as mentioned in section 3(4) above or, as the case may be, from the expenditure which is allowable under section 3 of the principal Act.
- (3) In any case where—
  - (a) expenditure does not fall within section 3(1) above or section 3 of the principal Act by reason only of section 10(2) of that Act (exempt gas), but
  - (b) the asset in relation to which the expenditure was incurred is or is expected to be used in a way which gives rise to tariff receipts,then, so far as relates to so much of that expenditure as it is just and reasonable to apportion to the use referred to in paragraph (b) above, that use of the asset shall be treated for the purposes of section 3 above, Schedule 1 to this Act and section 3 of the principal Act as use in connection with the field from which the excluded oil, within the meaning of section 10 of that Act, is won.
- (4) References in subsection (3) above to the use of an asset (other than the final reference to use in connection with a field) include references to the provision, in connection with the use of the asset, of services or other business facilities of any kind.

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(5) In any case where—

- (a) expenditure is incurred in enhancing the value of an asset with a view to the subsequent disposal of it or of an interest in it, and
- (b) by reason only of section 10(2) of the principal Act (exempt gas), the expenditure does not fall within section 3(1) above or section 3 of that Act, and
- (c) the subsequent disposal of, or of an interest in, the asset gives or is expected to give rise to disposal receipts,

then, such part of the use of the asset as it is just and reasonable to apportion to the expenditure referred to in paragraph (a) above shall be treated for the purposes of section 3 above, Schedule 1 to this Act and section 3 of the principal Act as use in connection with the field from which the excluded oil, within the meaning of section 10 of that Act, is won.

[<sup>F3</sup>(6) But where—

- (a) expenditure would (apart from this subsection) fall within paragraph (a) of subsection (5) above, and
- (b) the asset has, at any time in the period of 6 years ending with the date on which the expenditure was incurred, been used in a way that gives rise to tax-exempt tariffing receipts,

the expenditure shall not be regarded for the purposes of that subsection as expenditure incurred in enhancing the value of the asset with a view to the subsequent disposal of the asset, or of an interest in it, to the extent that the amount of the expenditure falls to be reduced in accordance with subsection (7) below.

(7) The reduction is to be made by applying section 7A below in relation to the expenditure as it applies in relation to disposal receipts in respect of a disposal, but with the substitution—

- (a) for references to the disponor, of references to the person incurring the expenditure (“the relevant participator”),
- (b) for references to the amount or value (apart from that section) of any disposal receipts of the disponor in respect of the disposal, of references to the amount which would, apart from subsection (6) above, be the amount of the expenditure incurred by the relevant participator with a view to the subsequent disposal of the asset or of an interest in it,
- (c) for references to the interest disposed of, of references to the asset or interest whose subsequent disposal gives or is expected to give rise to disposal receipts,
- (d) for references to the date of the disposal, of references to the date on which the expenditure was incurred,

and taking the reference in subsection (6)(b) of that section to a reduction made by virtue of that section as a reference to a reduction made by virtue of that section for the purposes of section 7(9) of this Act.]

#### Textual Amendments

- F3** S. 4(6)(7) inserted (with effect in accordance with s. 285(6)(b) of the commencing Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 37 para. 4\(2\)](#) (with [Sch. 37 Pt. 2](#))

**Modifications etc. (not altering text)**

- C3** S. 4 modified by 1975 c. 22, **Sch. 4 para. 2(1)(b)** (as inserted (with effect where the transaction to which 1975 c. 22, **Sch. 4 para. 2** applies takes place on or after 16.3.1993) by 1993 c. 34, **ss. 191(4)(6)**)

**5 Miscellaneous amendments relating to reliefs.**

- (1) In section 3 of the principal Act (allowance of expenditure otherwise than on long-term assets etc.)—
- (a) in subsection (1) after the words “to the extent” and in subsection (6) after the word “shall” there shall in each case be inserted the words “subject to subsection (7) below”; and
  - (b) at the beginning of subsection (5) there shall be inserted the words “Subject to subsection (5A) below”.
- (2) After subsection (5) of that section there shall be inserted the following subsection:—
- “(5A) Where expenditure incurred in relation to an asset is incurred—
- (a) in part for one of the purposes specified in subsection (5) above (or for what would be one of those purposes if section 10(2) below were disregarded), and
  - (b) in part for the purpose of enabling the asset to be used in a way giving rise to tariff receipts within the meaning of the Oil Taxation Act 1983, then, to the extent that the expenditure is incurred for the purpose mentioned in paragraph (b) above, it shall be treated for the purposes of this Part of this Act as incurred for one of the purposes specified in subsection (5) above.”
- (3) At the end of section 3 of the principal Act there shall be added the following subsections:—
- “(7) In any case where—
- (a) expenditure which is incurred by any person as mentioned in subsection (6) above is so incurred in connection with a long-term asset, and
  - (b) the long-term asset gives rise to receipts which, for the purpose of the Oil Taxation Act 1983, are tariff receipts of that person attributable to the field for which any of that expenditure is so allowable,
- then, so far as relates to that field, in making in accordance with subsection (6) above any apportionment for the purposes of either or both of subsections (1) and (5) above, the whole of the relevant expenditure shall be apportioned to one or more of the purposes mentioned in that subsection or, as the case may be, those subsections.
- (8) In subsection (7) above—
- (a) “long-term asset” means an asset whose useful life continues after the end of the claim period for which a claim is first made for an allowance in respect of expenditure incurred in connection with the asset; and
  - (b) “relevant expenditure” means that portion of the expenditure in connection with the asset which is reasonably attributable to the use of

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the asset which gives rise to the receipts referred to in subsection (7) (b) above.”

- (4) Paragraph 1 of Schedule 4 to the principal Act (expenditure not allowable under section 3 or section 4 of that Act if relief already allowable for another person) does not apply to any expenditure which—
- (a) consists of a payment made to a participator or a person connected with him; and
  - (b) constitutes a tariff receipt or disposal receipt of the participator.
- (5) Subsections (1) to (4) above apply with respect to expenditure which is or was incurred after 30th June 1982.
- (6) In relation to expenditure incurred in the acquisition of an asset on or after 1st April 1983, paragraph 2 of Schedule 4 to the principal Act shall have effect subject to the following modifications—
- (a) in sub-paragraph (1), the words from “by another person” to “that asset” shall be omitted and at the end there shall be added the words “in acquiring, bringing into existence or enhancing the value of that asset”; and
  - (b) for sub-paragraph (3) of that paragraph there shall be substituted the following sub-paragraph:—
    - “(3) The preceding provisions of this paragraph have effect (with any necessary modifications) in relation to expenditure incurred by a person in respect of—
      - (a) the use of an asset, or
      - (b) the provision of services or other business facilities of whatever kind in connection with the use, otherwise than by that person, of an asset,
 as they have effect in relation to expenditure incurred in the acquisition of, or of an interest in, an asset.”
- (7) Notwithstanding anything in section 3(6) above, any reference to section 4 of the principal Act in—
- (a) paragraph 4 of Schedule 4 to that Act (disposal of certain long-term assets), or
  - (b) paragraph 2(5) or paragraph 4 of Schedule 5 to that Act (claims and appeals relating to allowance of expenditure),
- does not include a reference to sections 3 and 4 above or Schedule 1 to this Act.
- (8) Paragraph 5 of Schedule 4 to the principal Act (treatment of payments for hire of assets) shall not apply in any case where the payments are or were received after 30th June 1982 (whenever the expenditure was incurred).



**Changes to legislation:**

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Reliefs for expenditure.