



# Finance Act 2001

## 2001 CHAPTER 9

### PART 4 **U.K.**

#### OTHER TAXES

##### *Petroleum revenue tax*

#### **101 PRT: unrelievable field losses **U.K.****

(1) In section 6 of the Oil Taxation Act 1975 (c. 22) (allowance of unrelievable loss from abandoned field), for subsections (1) and (1A) substitute—

“(1) In the case of a participator in an oil field, an allowable unrelievable field loss is the unrelievable portion of an allowable loss falling within subsection (1B) below.

(1A) Subsection (1) above is subject to subsections (5) to (9) below and Schedule 8 to this Act.

(1B) An allowable loss falls within this subsection if—

- (a) the loss accrued in any chargeable period from another field (“the abandoned field”),
- (b) the person to whom the loss accrued is—
  - (i) the participator, or
  - (ii) if the participator is a company, a company associated with the participator in respect of the loss (see subsection (3) below),
- (c) the loss accrued to that person as a participator in the abandoned field, and
- (d) the winning of oil from the abandoned field has permanently ceased.

(1C) The “unrelievable portion” of an allowable loss falling within subsection (1B) above is so much of that loss as cannot under the provisions of section 7 of

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this Act be relieved against assessable profits accruing from the abandoned field to the person to whom the loss accrued.

(1D) Subsection (1C) above is subject to Schedule 32 to the Finance Act 2001 (determination of unrelievable portion where Parts 2 and 3 of Schedule 17 to the Finance Act 1980 did not apply to transfer of interest in abandoned field).”.

- (2) In subsection (2) of that section, for “subsection (1) above” substitute “subsection (1B) above”.
- (3) In section 113(2) of the Finance Act 1984 (c. 43)—
- (a) for the words from “which, in the case” to “in subsection (1)” substitute “falling within subsection (1B)”; and
  - (b) for “from that other field” substitute “from the abandoned field”.
- (4) Schedule 32 to this Act has effect.
- (5) The provisions of this section shall be deemed to have come into force on 7th March 2001.

## 102 PRT: allowable decommissioning expenditure U.K.

- (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)”.
- (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—

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- (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.

### **103 PRT: expenditure in certain gas-producing fields** **U.K.**

- (1) In section 10 of the Oil Taxation Act 1975 (modifications of Part 1 in connection with gas sold to the British Gas Corporation under contracts made before end of June 1975), for subsection (3) (modified apportionment rule for expenditure allowable under section 3(1)(a), (b), (c), (hh), (i) or (j)) substitute—
- “(3) Subsections (3A) to (3H) below apply where, in the case of any taxable field, the oil—
- (a) won and saved from the field, or
  - (b) expected to be won and saved from the field,
- includes oil falling within subsection (1)(a) above.

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- (3A) Any expenditure allowable under section 3 of this Act for the field by virtue of any of paragraphs (a) to (c) of section 3(1) of this Act shall be a proportion of what it would otherwise have been.
- (3B) The proportion mentioned in subsection (3A) above is that which, according to estimates submitted to the Secretary of State after the end of June 1975 and approved by him as reasonable, the field's original reserves of oil exclusive of oil falling within subsection (1)(a) above bear to the field's original reserves of oil inclusive of oil so falling.
- (3C) Until estimates have been submitted and approved for the purpose of subsection (3B) above, the expenditure allowable for the field under section 3 of this Act by virtue of section 3(1)(a), (b) or (c) of this Act shall be deemed to be nil.
- (3D) Any expenditure allowable under section 3 of this Act for the field by virtue of section 3(1)(hh) of this Act shall be a portion of what it would otherwise have been.
- (3E) That portion is determined in accordance with the following rules—
- (1) Identify the abandonment guarantee (within the meaning given by section 104 of the Finance Act 1991 (c. 31)) on the obtaining of which the expenditure was incurred.
  - (2) Identify the liabilities covered by the guarantee.
  - (3) Identify which of those liabilities relate to qualifying assets.
  - (4) Identify the portion of the expenditure that it is just and reasonable to apportion to the liabilities identified under rule 3.
  - (5) Identify the qualifying assets to which the liabilities identified under rule 3 relate.
  - (6) Identify the use of those qualifying assets that has been (or is expected to be) non-excluded use.
  - (7) Assume that expenditure is incurred on the provision of those qualifying assets and identify the proportion of the hypothetical expenditure that it would be just and reasonable to apportion to the use of those assets identified under rule 6.
  - (8) The portion mentioned in subsection (3D) above is then determined by multiplying—
    - (i) the portion identified under rule 4, by
    - (ii) the proportion (expressed as a fraction) identified under rule 7.
- (3F) Any expenditure allowable under section 3 of this Act for the field by virtue of section 3(1)(i) or (j) of this Act shall be a portion of what it would otherwise have been.
- (3G) That portion is determined in accordance with the following rules—
- (1) Identify the qualifying asset that is relevant to the incurring of the expenditure.
  - (2) Identify the use of that qualifying asset that has been non-excluded use.
  - (3) Assume that expenditure is incurred on the provision of that qualifying asset and identify the proportion of the hypothetical

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expenditure that it would be just and reasonable to apportion to the use of that asset identified under rule 2.

- (4) The portion mentioned in subsection (3F) above is then determined by multiplying—
- (i) the expenditure, by
  - (ii) the proportion (expressed as a fraction) identified under rule 3.

(3H) In subsections (3E) and (3G) above—

“non-excluded use” means—

- (a) use in connection with the winning and saving of oil, other than excluded oil, from the field, or
- (b) use giving rise to receipts that, for the purposes of the Oil Taxation Act 1983 (c. 56), are tariff receipts attributable to a participator in the field;

“qualifying asset” has the same meaning as it has for the purposes of the Oil Taxation Act 1983 (see section 8 of that Act).”.

- (2) The amendments made by this section apply to expenditure incurred on or after 7th March 2001.

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