

SCHEDULES

SCHEDULE 4

Sections 3 and 4.

PROVISIONS SUPPLEMENTARY TO SECTIONS 3 AND 4

Restrictions on expenditure allowable under section 3 or 4

- 1 (1) Expenditure incurred by any person in the acquisition of an asset is not allowable under section 3 or 4 of this Act for an oil field if expenditure previously incurred by another person in acquiring, bringing into existence, or enhancing the value of that asset is allowable under that section for that field.

Section 4(13) of this Act applies to the preceding provisions of this sub-paragraph.

- (2) Sub-paragraph (1) above shall, with any necessary modifications, have effect in relation to expenditure incurred by a person—
- (a) in renting or hiring an asset or any interest in an asset; or
 - (b) for the provision of services or other business facilities of whatever kind; or
 - (c) for the grant or transfer to him of any right, licence or interest (other than an interest in an asset),
- as it has effect in relation to expenditure incurred in the acquisition of, or of an interest in, an asset.

- 2 (1) Where a person has incurred expenditure in the acquisition of an asset in a transaction to which this paragraph applies, he shall be treated for the purposes of sections 3 and 4 of this Act as having incurred that expenditure only to the extent that it does not exceed expenditure (other than expenditure in respect of interest or any other pecuniary obligation incurred in obtaining a loan or any other form of credit) incurred by another person in acquiring, bringing into existence, or enhancing the value of that asset in a transaction to which this paragraph does not apply (or, if there has been more than one such transaction, the later or latest of them). Section 4(13) of this Act applies to the preceding provisions of this sub-paragraph.

- (2) This paragraph applies to any transaction between connected persons and to any transaction made otherwise than at arm's length ; and for the purposes of this paragraph a person is connected with another person if—
- (a) they are connected within the meaning of section 533 of the Taxes Act; or
 - (b) they are both participators in the oil field in question; or
 - (c) one of them is a participator in that field and the other is connected (within the meaning of the said section 533) with another participator in that field.

- (3) Sub-paragraph (2) of paragraph 1 above shall apply in relation to sub-paragraph (1) above as it applies in relation to sub-paragraph (1) of that paragraph.

- 3 (1) This paragraph applies in the case of any oil field from which oil began to be won in commercial quantities before 13th November 1974.

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

- (2) Expenditure incurred before that date which, apart from this paragraph, would be allowable under section 3 or 4 of this Act for an oil field shall be so allowable only to the extent that it was incurred—
- (a) in connection with that field for one or more of the purposes mentioned in paragraphs (a) to (c) of section 3(1) of this Act; or
 - (b) in acquiring, bringing into existence, or enhancing the value of an asset used on or after that date in connection with the field.

Disposal of long-term asset formerly used in connection with an oil field

- 4 (1) Where an asset is used in connection with an oil field in circumstances such that section 4 of this Act applies to any expenditure incurred in acquiring, bringing into existence, or enhancing the value of that asset, then if—
- (a) the asset is disposed of for valuable consideration while in use in that connection or not more than two years after its use in that connection permanently ceases ;
 - (b) the person making the disposal is either a participator in the field or a person connected with a participator ;
 - (c) the person to whom the disposal is made is not a person connected with a participator; and
 - (d) the amount or value of the consideration received or receivable for the disposal is not less than the price which the asset might reasonably have been expected to fetch if sold in the open market at the time of the disposal,
- sub-paragraphs (2) to (4) below shall have effect.
- (2) If the disposal occurs without the asset permanently ceasing to be used in connection with the field, its use in that connection shall for the purposes of section 4 of this Act and the following provisions of this paragraph be deemed to have permanently ceased at the time of the disposal.
- (3) If the disposal takes place not later than the end of the claim period in which the use of the asset in connection with the field permanently ceases, the proportion of the expenditure allowable under section 4 of this Act for the relevant period (that is to say the period which, in relation to that claim period, is the relevant period for the purposes of subsection (7) of that section) or, if the claim period in question is the first relevant claim period (as defined in that section), the proportion of the expenditure so allowable for that claim period shall be computed under that section subject to the provisions of sub-paragraph (5) below.
- (4) If the disposal takes place after the end of the claim period in which the use of the asset in connection with the field permanently ceases, then, as regards the claim period in which the disposal takes place—
- (a) subsection (7) of section 4 of this Act shall have effect in relation to the asset as if its use in that connection had permanently ceased in that claim period (but so that for the purposes of subsections (5) and (6) of that section as applied by the said subsection (7) the asset shall not be treated as having been used in that connection at any time when it was not so used); and
 - (b) the proportion of the expenditure allowable under that section for the relevant period (that is to say the period which, in relation to that claim period is the relevant period for the purposes of the said subsection (7)) shall be computed under that section subject to the provisions of sub-paragraph (5) below.

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- (5) For the purposes of the computation mentioned in sub-paragraph (3) or (4) above, as the case may be—
- (a) the amount of the expenditure incurred in acquiring, bringing into existence, or enhancing the value of the asset which would otherwise fall to be taken into account shall be treated as reduced by the amount or value of the consideration received or receivable for the disposal (or, if equal to or smaller than the amount or value of that consideration, as reduced to nil); and
 - (b) the asset's useful life shall be treated as having ended at the time of the disposal or, if the asset permanently ceased to be used in connection with the field before that time and was neither used nor available for use by anyone in the interval between its permanently ceasing to be so used and the time of the disposal, at the time when it permanently ceased to be so used.
- (6) In any case where, for different parts of the expenditure incurred in the case of an asset as mentioned in sub-paragraph (1) above, different proportions thereof would be allowable under section 4 of this Act apart from sub-paragraph (5)(a) above (including a case where, for some but not all of that expenditure, the proportion thereof so allowable would be 100 per cent.), the amount or value of the consideration received or receivable for the disposition shall for the purposes of this paragraph be treated as referable to those different parts in such proportions as may be just and reasonable.
- (7) Section 4(13) of this Act applies to the preceding provisions of this paragraph; and those provisions shall, with any necessary modifications, apply in relation to a disposal of an interest in an asset as they apply in relation to a disposal of an asset.
- (8) Section 533 of the Taxes Act (connected persons) shall apply for the purposes of this paragraph.

Long-term assets used in connection with more than one oil field

- 5 (1) Where in any claim period a long-term asset is used to a substantial extent in connection with an oil field (in this paragraph referred to as " the relevant field ") and is in that period also used in connection with one or more other oil fields, then, if any payments for the hire of that asset are receivable by all or any of the persons mentioned in sub-paragraph (3) below in respect of its use in the period in connection with the other field or fields, the following sub-paragraph shall apply.
- (2) The use of the asset in the claim period in question in connection with the other field or fields shall be treated for the purposes of this Part of this Act as use in connection with the relevant field ; but the total amount of expenditure allowable under sections 3 and 4 of this Act on a claim for that period in respect of the relevant field shall be reduced by an amount equal to the aggregate of the payments for the hire of the asset which are receivable in the period by all or any of the persons mentioned in sub-paragraph (3) below in respect of its use in connection with the other field or fields.
- (3) The persons referred to in sub-paragraphs (1) and (2) above are the participators in the relevant field and every other person connected with any of them ; and section 533 of the Taxes Act (connected persons) shall apply for the purposes of this sub-paragraph.
- (4) For the purposes of this paragraph an asset used in connection with an oil field is a long-term asset if its useful life continues after the end of the claim period in which it is first used in connection with the field.

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

Provisions supplementary to section 4(9) of this Act and paragraph 5(2) above

- 6 (1) Where in the case of an oil field, the total amount of the expenditure allowable under sections 3 and 4 of this Act on a claim for a claim period—
- (a) is, under one or more of the relevant provisions, reduced to nil; and
 - (b) would, under one or more of those provisions, have fallen to be reduced by a further amount if the total amount of that expenditure had been sufficient to enable the maximum reduction thereunder to be made,
- that further amount shall be apportioned between the participators in proportions corresponding to what for that claim period would be their respective shares of any expenditure falling within section 2(9)(b)(i) of this Act; and in computing the assessable profit or allowable loss accruing to any participator in the earliest chargeable period which ends after the end of that claim period, the aggregate mentioned in section 2(4)(a) of this Act shall be increased by an amount equal to the amount apportioned to him under this paragraph.
- (2) In this paragraph " the relevant provisions" means section 4(9) of this Act and paragraph 5(2) above.

*Insurance or compensation in respect of loss or destruction
of long-term asset formerly used in connection with oil field*

- 7 (1) Where, in consequence of the loss or destruction at any time within the period mentioned in sub-paragraph (1) of paragraph 4 above of such an asset as is mentioned in that sub-paragraph, any insurance or compensation in respect of the loss or destruction is receivable by a participator in the field or a person connected with a participator, paragraphs 4 and 6 above shall apply as if at that time the person by whom the insurance or compensation is receivable had disposed of the asset or his interest in it for an amount equal to the insurance or compensation.
- (2) Section 533 of the Taxes Act (connected persons) shall apply for the purposes of this paragraph.

Assets acquired jointly by participators in different oil fields

- 8 Where an asset was acquired jointly by persons who are participators in two or more different oil fields (whether or not any one of those persons is a participator in more than one of those fields), then in determining for the purposes of section 4 of this Act, in the case of any one of those fields, the use which has been, or which it is reasonable to assume will be, made of the asset otherwise than in connection with that field, no regard shall be had to its use or possible use in connection with any other of those fields.