

SCHEDULES

SCHEDULE 1

Section 1.

DETERMINATION OF OIL FIELDS

- 1 (1) For the purposes of this Part of this Act an oil field is any area which the appropriate authority may determine to be an oil field, being an area of which every part is, or is part of, a licensed area.
- (2) For the purposes of this Schedule the appropriate authority, in relation to any area—
- (a) is the Secretary of State if the area is such that licences can be granted for all of it under the Petroleum (Production) Act 1934;
 - (b) is the Department of Commerce for Northern Ireland if the area is such that licences can be granted for all of it under the Petroleum (Production) Act (Northern Ireland) 1964; and
 - (c) is the Secretary of State and that Department acting jointly if the area is such that licences can be granted for part of it under one and for part of it under the other of those Acts;
- and any reference in this Schedule to the making of representations to the appropriate authority is, in a case falling within (c) above, a reference to the making of them to either the Secretary of State or the said Department.
- 2 Before determining an area to be an oil field the appropriate authority—
- (a) shall give notice in writing of the proposed determination to every person who is a licensee in respect of a licensed area wholly or partly included in that area and to any other licensee whose interests appear to the authority to be affected; and
 - (b) shall consider any representations in writing which a person to whom a notice under this paragraph has been given may make to the authority within sixty days of receiving the notice,
- and the determination may be made either as proposed or with such modifications as appear to the authority to be appropriate after considering any representations made to the authority in accordance with this paragraph.
- 3 A determination under this Schedule shall be in such form as the appropriate authority thinks fit and shall for purposes of identification assign to the field to which it relates a distinguishing number or other designation.
- 4 The appropriate authority shall give notice of any determination made by the authority under this Schedule to each, of the persons to whom notice of the proposed determination was given.
- 5 A determination under this Schedule may from time to time be varied by a new determination thereunder made by the appropriate authority, and paragraphs 2 to 4 above shall apply to any such new determination.

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

SCHEDULE 2

Section 1.

MANAGEMENT AND COLLECTION OF PETROLEUM REVENUE TAX

Management of tax

- 1 (1) The tax shall be under the care and management of the Board; and the provisions of the Taxes Management Act 1970 specified in the first column of the following Table shall apply in relation to the tax as they apply in relation to a tax within the meaning of that Act, subject to any modifications specified in the second column of that Table and with the substitution, for references to Part IX of that Act or to the Taxes Acts, of references to this Part of this Act and, for references to chargeable periods within the meaning of that Act, of references to chargeable periods within the meaning of this Part of this Act.

TABLE

<i>Provisions applied</i>	<i>Modifications</i>
Section	
1(3)	—
4	—
33	<p>In subsection (1), for the words from " year of assessment " to " in " substitute " chargeable period for ".</p> <p>In subsection (3)', after " assessments made on" insert " or determinations made in relation to ".</p> <p>In subsection (5), for the words following " profits " substitute " means assessable profits. "</p>
34	—
36	<p>Omit the reference to section 41, after " default ", wherever occurring, insert " or any neglect " and at the end add the following paragraph—</p> <p>“For the purposes of this section any fraud, wilful default or neglect committed at any time by a responsible person for an oil field in connection with or in relation to the tax shall be treated as having been committed on behalf of each of the participators in that field at that time.”</p>
48	—
49(1)	—
50(1)(5)	Omit the proviso to subsection (5).

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<i>Provisions applied</i>	<i>Modifications</i>
51	—
52	—
53	—
56	—
58(2)	—
(3)	Omit the references to section 59 and, for paragraphs (a) and (b), substitute " 'proceedings in Northern Ireland' means proceedings in respect of an oil field which is wholly situated in an area for which licences can be granted under the Petroleum (Production) Act (Northern Ireland) 1964 ".
60	In subsection (1), omit the words following " charged therewith ".
61	In subsection (1), omit the words from " distraint upon " to " is charged or ".
62(1)	Omit " or which are payable for the year in which the seizure is made " and for " one year " and " one whole year " substitute " two chargeable periods ".
(2)	For " one whole year " substitute " two chargeable periods ".
63	—
64(1)	For " one year " and " one whole year " substitute " two chargeable periods ".
(2)	For " one whole year " substitute " two chargeable periods ".
66	—
67	—
68	—
69	In paragraph (a), substitute a reference to section 68 as applied by this paragraph for the reference to the sections there specified.
70(1)	—
(2)	For the reference to section 86 or 87 substitute a reference to paragraph 15 of this Schedule.
89(2)	For the reference to the rate or rates of interest prescribed by subsection (1) of that section substitute a reference to the

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<i>Provisions applied</i>	<i>Modifications</i>
	rate of interest mentioned in paragraph 15 of this Schedule.
(3)	—
90	—
98	Omit the Table, and for references to any of the provisions specified in the Table substitute references to section 51 as applied by this paragraph or to paragraph 7 of this Schedule.
99	—
100(1)	Omit the words from the beginning to " this section ".
(2)	—
(3)	Omit the reference to the General Commissioners.
(6)-(9)	—
101	For the reference to income or chargeable gains substitute a reference to assessable profits.
102	—
103(1)—(3)	Omit the proviso to subsection (2).
104	—
105	—
107(1)-(3)	—
108	In subsection (2), for the words from the beginning to " Acts " substitute " The tax chargeable ".
112	In subsection (1), after " assessment to tax " and " the assessment" insert " or determination " and after " duplicate of assessment to tax " and " duplicate of assessment" insert " or of determination ".
113(1 A)..	—
(3)	After " assessment " insert " determination " and after " notice of assessment" insert " notice of determination ".
114	After " assessment" wherever occurring insert " or determination ".
115(1)-(3)	—

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<i>Provisions applied</i>	<i>Modifications</i>
118(1)	—
(2)	—

- (2) Any expression to which a meaning is given in this Part of this Act which is used in a provision of the Taxes Management Act 1970 applied by this paragraph shall, in that provision as so applied, have the same meaning as in this Part of this Act.

Returns by participators

- 2 (1) Every participator in an oil field shall, for each chargeable period, prepare and, within two months after the end of the period, deliver to the Board a return complying with the following provisions of this paragraph; but nothing in this sub-paragraph shall require a participator to deliver a return under this paragraph before 31st August 1975.
- (2) A return under this paragraph for a chargeable period shall give the following information in relation to oil which is or was included in the participator's share of any oil won from the oil field (whether or not in that period), that is to say—
- (a) in the case of each delivery (other than one made before 13th November 1974) in the period of oil disposed of by him crude (other than oil delivered as mentioned in (c) of this sub-paragraph), the return shall—
 - (i) state the quantity of oil delivered ;
 - (ii) state the person to whom the oil was disposed of ;
 - (iii) in the case of oil disposed of in a sale at arm's length, state the price received or receivable for the oil or, in the case of oil disposed of otherwise than in a sale at arm's length, state the market value of the oil at the material time in the calendar month in which the delivery was made; and
 - (iv) contain such other particulars of or relating to the disposal as the Board may prescribe ;
 - (b) in the case of each relevant appropriation of crude oil (other than one made before 13th November 1974) in the period (not being oil disposed of by him), the return shall—
 - (i) state the quantity of oil appropriated ;
 - (ii) state the market value of the oil at the material time in the calendar month in which the appropriation was made ; and
 - (iii) contain such other particulars of or relating to the appropriation as the Board may prescribe ;
 - (c) in the case of crude oil delivered to the Secretary of State in the period under the terms of a licence granted under the Petroleum (Production) Act 1934, the return shall state the total quantity of the oil;
 - (d) in the case of crude oil which, at the end of the period, has either not been disposed of and not relevantly appropriated or has been disposed of but not delivered, the return shall—
 - (i) state the quantity of the oil;
 - (ii) state the market value of the oil at the end of the period; and
 - (iii) contain such other particulars relating to the oil as the Board may prescribe.

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- (3) A return under this paragraph for a chargeable period shall state—
- (a) the amount of royalty payable by the participator for that period in respect of his share of oil won from the field as shown in the return or returns made by him to the Secretary of State under the relevant licence or licences ;
 - (b) the amount of royalty paid by the participator in that period in respect of that share;
 - (c) the amount of any royalty paid under any relevant licence in respect of the field which was repaid to the participator in that period; and
 - (d) the amount of any periodic payment made by the participator to the Secretary of State in that period under each relevant licence otherwise than by way of royalty.
- (4) A return under this paragraph shall be in such form as the Board may prescribe and shall include a declaration that the return is correct and complete.
- 3 (1) If a participator fails to deliver a return within the time allowed for doing so under paragraph 2(1) above he shall be liable, subject to sub-paragraph (3) below—
- (a) to a penalty not exceeding, except in the case mentioned in sub-paragraph (2) below, £500 ; and
 - (b) if the failure continues after it has been declared by the court or the Commissioners before whom proceedings for the penalty have been commenced, to a further penalty not exceeding £100 for each day on which the failure so continues.
- (2) If the failure continues after the end of six months from the time by which the return ought to have been delivered, the penalty under sub-paragraph (1)(a) above shall be an amount not exceeding the aggregate of £500 and the total amount of the tax with which the participator is charged for the chargeable period in question.
- (3) Except in the case mentioned in sub-paragraph (2) above, the participator shall not be liable to any penalty incurred under this paragraph for failure to deliver a return if the failure is remedied before proceedings for the recovery of the penalty are commenced.

Appointment of responsible person for each oil field

- 4 (1) For each oil field a body corporate or partnership shall be appointed in accordance with this paragraph as the responsible person for that field to perform, in relation to the field, any functions conferred on it as such by this Part of this Act; and the body or partnership which for the time being holds that appointment is in this Part of this Act referred to as " the responsible person ".
- (2) No body corporate shall be eligible for appointment as the responsible person for an oil field unless it is resident in the United Kingdom, and no partnership shall be so eligible unless all its members are resident there.
- (3) The participators in an oil field shall, by notice in writing to the Board within the initial period, nominate a body corporate or a partnership for appointment as the responsible person for that oil field and, if the Board approve the nomination, the Board shall appoint that body or partnership as the responsible person and give it notice that it has been so appointed.
- (4) If—

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- (a) the participators have made no nomination within the initial period; or
- (b) the Board do not appoint the body or partnership nominated under sub-paragraph (3) above,

the Board shall appoint one of the participators in the oil field as the responsible person for the field and shall give notice to that participator that he has been so appointed.

- (5) For the purposes of the preceding provisions of this paragraph, the initial period is the period of thirty days beginning with the latest date on which notice of determination of the oil field is given to any of the participators under paragraph 4 of Schedule 1 to this Act.
- (6) The Board may at any time, on the application of all the participators in an oil field, appoint a body corporate or partnership nominated by the participators as the responsible person for that field in place of the body corporate or partnership which is the responsible person at that time, and shall give the body or partnership so appointed notice that it has been so appointed.
- (7) The Board may, by notice in writing to the body corporate or partnership which is for the time being the responsible person for an oil field, revoke the appointment of that body or partnership as the responsible person for that field ; and where they do so the Board shall appoint one of the participators in the oil field as the responsible person for that field and shall give notice to the participator that he has been so appointed.
- (8) In this paragraph "participator", in relation to an oil field, means a person who is a licensee in respect of any licensed area wholly or partly included in the field.

Returns by the responsible person

- 5 (1) The responsible person for an oil field shall, for each chargeable period, prepare and, within one month after the end of the period, deliver to the Board a return for that period complying with sub-paragraphs (2) and (3) below; but nothing in this sub-paragraph shall require the responsible person to deliver a return under this paragraph before 31st July 1975.
- (2) A return under this paragraph for a chargeable period shall—
 - (a) state the quantity of oil won and saved from the oil field during the period;
 - (b) state the respective interests of the participators in the field in that oil;
 - (c) state what, in accordance with those interests, is each participator's share of that oil; and
 - (d) contain such other particulars of or relating to the field as the Board may require.
- (3) A return under this paragraph shall be in such form as the Board may prescribe and shall include a declaration that the return is correct and complete.
- 6 (1) If the responsible person fails to deliver a return within the time allowed for doing so under paragraph 5(1) above he shall be liable—
 - (a) to a penalty not exceeding £500, and
 - (b) if the failure continues after it has been declared by the court or Commissioners before whom proceedings for the penalty have been commenced, to a further penalty not exceeding £100 for each day on which the failure so continues.

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- (2) The responsible person shall not be liable to any penalty incurred under sub-paragraph (1) above for failure to deliver a return if the failure is remedied before proceedings for the recovery of the penalty are commenced.

Production of accounts, books and other information

- 7 (1) Where a participator in or the responsible person for an oil field fails to deliver a return as required by paragraph 2 or, as the case may be, 5 above or the Board are not satisfied with a return delivered in pursuance of either of those paragraphs, the Board may, by notice in writing, require the participator or, as the case may be, the responsible person to do any of the following things, that is to say—
- (a) do deliver to the Board copies of such accounts (including balance sheets) relating to the field or to oil won therefrom as may be specified or described in the notice within such period as may be so specified, including, where the accounts have been audited, a copy of the auditor's certificate;
 - (b) to make available, within such time as may be specified in the notice, for inspection by an officer authorised by the Board all such books, accounts and documents in his possession or power as may be specified or described in the notice, being books, accounts and documents which contain information about transactions relating to the oil field or to oil won therefrom.
- (2) An authorised officer of the Board may take copies of, or make extracts from, any books, accounts or documents made available for his inspection under this paragraph.

Incorrect returns, accounts, etc.

- 8 (1) Where a participator in an oil field fraudulently or negligently—
- (a) delivers an incorrect return under paragraph 2 above ; or
 - (b) makes any incorrect statement or declaration in connection with any claim under this Part of this Act for the allowance of any expenditure or for any relief in respect of the tax; or
 - (c) submits to the Board or the Special Commissioners any incorrect accounts in connection with the ascertainment of the participator's liability to the tax, the participator shall be liable to a penalty not exceeding the aggregate of—
 - (i) £50, and
 - (ii) the amount or, in the case of fraud, twice the amount, of the difference specified in sub-paragraph (2) below.
- (2) The difference is that between—
- (a) the amount of tax payable by the participator—
 - (i) for the chargeable period to which the return relates ; or
 - (ii) for the next chargeable period ending after the allowance of the claim ; or
 - (iii) for the chargeable period or periods against which the relief is claimed ; or
 - (iv) for the chargeable period or periods for which the accounts are relevant, as the case may be ; and
 - (b) the amount which would have been the amount so payable if the return, statement, declaration or accounts as made or submitted by him had been correct.

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- (3) Where the responsible person for an oil field fraudulently or negligently—
- (a) delivers an incorrect return under paragraph 5 above ; or
 - (b) makes any incorrect statement or declaration in connection with any claim under this Part of this Act for the allowance of any expenditure, the responsible person shall be liable to a penalty not exceeding £2,500 or, in the case of fraud on his part, £5,000.
- 9 (1) Where any such return, statement, declaration or accounts as are mentioned in paragraph 8 above were made or submitted by any person neither fraudulently nor negligently and it comes to his notice that they were incorrect, then, unless the error is remedied without unreasonable delay, the return, statement, declaration or accounts shall be treated as having been negligently made or submitted by the first-mentioned person.
- (2) Where any such return, statement, declaration or accounts were made or submitted by the responsible person for an oil field neither fraudulently nor negligently and it comes to the notice of any person who subsequently becomes the responsible person for that field that they were incorrect, then, unless the error is remedied without unreasonable delay, the return, statement, declaration or accounts shall be treated as having been negligently made or submitted by the responsible person to whose notice the incorrectness came.
- (3) For the purposes of paragraph 8 above, any accounts submitted on behalf of any person shall be deemed to have been submitted by that person unless he proves that they were submitted without his consent or connivance.

Assessments to tax and determinations of loss, etc.

- 10 (1) Where it appears to the Board that, in accordance with the provisions of this Part of this Act, an assessable profit has accrued to a participator in a chargeable period from an oil field, they shall make an assessment to tax on the participator and shall give him notice of the assessment.
- (2) Where it appears to the Board that, in accordance with those provisions, an allowable loss has accrued to a participator in a chargeable period from an oil field, they shall make a determination that the loss is allowable to the participator and shall give him notice of the determination.
- (3) Where it appears to the Board that, in accordance with those provisions, neither an assessable profit nor an allowable loss has accrued to a participator in a chargeable period, they shall make a determination to that effect and shall give him notice of the determination.
- (4) A notice of assessment for a chargeable period shall state the amount of any allowable losses which, in accordance with those provisions, have been set against the assessable profit for that period.
- (5) A notice of assessment or determination shall state that the participator may appeal against the assessment or determination in accordance with paragraph 14 below.
- (6) After the service of the notice of assessment or the notice of determination the assessment or determination, as the case may be, shall not be altered except in accordance with the express provisions of this Part of this Act (including the provisions applied by paragraph 1 above).

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- 11 (1) Where a participator has under paragraph 2 above delivered to the Board a return for a chargeable period and the Board are satisfied that the information given in the return is correct in so far as it is material for the purpose of computing his assessable profit or allowable loss (if any) for that period, the Board shall (in so far as the computation falls to be made by reference to the matters dealt with in the return) make the assessment or determination under paragraph 10 above in accordance with the return.
- (2) Where the Board are not so satisfied in relation to a participator's return or a participator fails to deliver to the Board a return for a chargeable period as required by paragraph 2 above, the Board shall, in so far as the computation of his assessable profit or allowable loss (if any) for that period falls to be made by reference to the matters which were dealt with in the return or, as the case may be, ought to have been dealt with in a return, make the assessment or determination under paragraph 10 above to the best of their judgment.
- (3) Nothing in sub-paragraph (2) above or in paragraph 5 above shall be taken, in a case where the participator has delivered a return as to which the Board are not satisfied as mentioned in sub-paragraph (1) above, to prevent the Board from basing their assessment or determination on the participator's having had an interest in oil won and saved from the field different from that on which he based his return.
- 12 (1) Where it appears to the Board—
- (a) that the assessable profit charged to tax by or stated in an assessment ought to be or to have been larger or smaller; or
 - (b) that the allowable loss stated in an assessment or a determination of loss ought to be or to have been larger or smaller ; or
 - (c) that, where they made a determination that neither an assess able profit nor an allowable loss accrued in a chargeable period, they ought to have made an assessment to tax or a determination of loss for that period,
- the Board may make such assessments or determinations or such amendments of assessments or determinations as may be necessary; and where the Board exercise any of their powers under this paragraph in relation to a chargeable period, they may make such adjustments in assessments or determinations for other chargeable periods as may be necessary in consequence of the exercise of those powers.
- (2) Where under sub-paragraph (1) above it appears to the Board that the assessable profit for a chargeable period ought to have been larger and that the deficiency resulted from an excessive allowable loss accruing in a subsequent period having been set against the profit for that period, the Board may (notwithstanding anything in section 34 of the Taxes Management Act 1970 (ordinary time limit for assessments)) make a further assessment by virtue of sub-paragraph (1) above at any time not later than six years after the end of the chargeable period in which the allowable loss accrued.

Payment of tax

- 13 Subject to paragraph 14 below, the tax charged in an assessment made on a participator for any chargeable period shall be payable by him four months after the end of that chargeable period or, if later, thirty days after the date of issue of the notice of assessment; but no tax shall be payable by virtue of this paragraph before 30th April 1976.

Appeals

- 14 (1) A participator may appeal to the Special Commissioners against an assessment or determination made on or in relation to him by notice of appeal in writing given to the Board within thirty days after the date of issue of the notice of assessment or determination.
- (2) The notice of appeal shall specify the grounds of appeal, but on the hearing of the appeal the Commissioners may allow the appellant to put forward any ground not specified in the notice, and may take it into consideration if satisfied that the omission was not wilful or unreasonable.
- (3) A participator who has given notice of appeal under sub-paragraph (1) above against an assessment charging him with any tax for a chargeable period may, if he delivered a return for that period as required by paragraph 2 above, withhold, until the determination or abandonment of the appeal, so much of the tax charged in the assessment as is the smaller of—
- (a) the amount of the tax so charged ; and
 - (b) tax on the difference between—
 - (i) the aggregate of the consideration received or receivable for oil as stated in the participator's return in pursuance of sub-paragraph (2) of that paragraph and, subject to sub-paragraph (4) below, the market value of oil as so stated ; and
 - (ii) the aggregate of the corresponding consideration and value as included in the assessment.
- (4) Subject to sub-paragraph (5) below, where the market value of all the oil for which a market value is stated in the participator's return is, as stated in that return, less than the value which is produced for that oil by applying to it the average price mentioned in sub-paragraph (6) below, sub-paragraph (3) above shall have effect as if, for the reference to the market value of oil as so stated, there were substituted a reference to the value which is so produced for that oil.
- (5) The comparison of values and the substitution required by sub-paragraph (4) above shall, in the case of an appeal by a participator whose return relates both to gas and to other oil, be made separately for the gas and for the other oil.
- (6) The average price referred to in sub-paragraph (4) above is the average price at which all oil included in the relevant returns as oil delivered in the period covered by the returns and disposed of in sales at arm's length was so disposed of.
- (7) The relevant returns for the purposes of sub-paragraph (b) above are all the returns of all the participators in all oil fields which—
- (a) were made for the chargeable period preceding that to which the appeal relates ; and
 - (b) were delivered before the end of the chargeable period to which the appeal relates.
- (8) The participator may at any time, if the Board do not object to his doing so, abandon an appeal instituted by him ; and for this purpose he shall notify his desire to do so to the Board who may, within thirty days after being so notified, object by notice in writing to the participator.
- (9) Where, at any time between—

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- (a) the giving of a notice of appeal against the assessment or determination or from a decision of the Board on a claim under section 33 of the Taxes Management Act 1970 as applied by paragraph 1 above, and
 - (b) the determination of the appeal by the Special Commissioners,
- the Board and the participator agree on the adjustments that should be made in the assessment or determination and on any consequential adjustments to other assessments or determinations, the Board may make the adjustments agreed on and thereupon the appeal shall be deemed to be abandoned.
- (10) If, on the appeal, it appears to a majority of the Commissioners present at the hearing that the assessable profit charged to tax by or stated in the assessment ought to have been larger or smaller, they shall amend the assessment accordingly or substitute for the assessment any determination which could have been made by the Board under paragraph 10 above, but otherwise the assessment shall stand good.
- (11) Save as otherwise provided by this Schedule (including the provisions applied by paragraph 1 above), the determination of the Special Commissioners in any proceedings under this Part of this Act shall be final and conclusive.

Interest on tax

- 15 (1) Subject to sub-paragraph (2) below, tax charged in an assessment for a chargeable period shall carry interest at the rate of 9 per cent, per annum from four months after the end of the period until payment.
- (2) Nothing in sub-paragraph (1) above shall authorise or require interest to be charged from any time before 30th April 1976.
- (3) Where, under paragraph 14(3) above, tax may be withheld until the determination or abandonment of an appeal, the interest on that tax may also be withheld until the determination or abandonment of the appeal.
- 16 Where any amount of tax charged by an assessment to tax becomes repayable under any provision of this Part of this Act that amount shall carry interest at the rate of 9 per cent, per annum from four months after the end of the chargeable period for which the assessment was made until repayment.

SCHEDULE 3

Section 1.

PETROLEUM REVENUE TAX : MISCELLANEOUS PROVISIONS

Definition of sale of oil at arm's length

- 1 (1) For the purposes of this Part of this Act a sale of any oil is a sale at arm's length if, but only if, the following conditions are satisfied with respect to the contract of sale, that is to say—
- (a) the contract price is the sole consideration for the sale ;
 - (b) the terms of the sale are not affected by any commercial relationship (other than that created by the contract itself) between the seller or any person connected with the seller and the buyer or any person connected with the buyer; and

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- (c) neither the seller nor any person connected with him has, directly or indirectly, any interest in the subsequent resale or disposal of the oil or any product derived therefrom.
- (2) Section 533 of the Taxes Act (connected persons) shall apply for the purposes of the preceding sub-paragraph.

Definition of market value of oil

- 2
- (1) For the purposes of this Part of this Act the market value of any oil shall be ascertained in accordance with this paragraph ; and in this paragraph the time as at which market value is to be ascertained is referred to as " the relevant time " .
 - (2) Subject to the following provisions of this paragraph, the market value of any oil at the relevant time is the price at which the oil could have been sold to a willing buyer at that time in a sale at arm's length under a contract of sale made at that time and satisfying the following conditions, that is to say—
 - (a) the contract requires the oil to have been subjected to appropriate initial treatment before delivery ;
 - (b) the contract requires the oil to be delivered—
 - (i) in the case of oil extracted in the United Kingdom, at the place of extraction ; or
 - (ii) in the case of oil extracted from strata in the sea bed and subsoil of the territorial sea of the United Kingdom or of a designated area, at the place in the United Kingdom at which the seller could reasonably be expected to deliver it or, if there is more than one such place, the one nearest to the place of extraction ;
 - (c) in the case of oil whose market value falls to be ascertained as at a particular time for the purposes of paragraph (b) of section 2(4) or paragraph (d) of section 2(5) of this Act or, subject to sub-paragraph (3) below, under paragraph 3 below for the purposes of paragraph (b) or (c) of the said section 2(5), the contract is for the sale of the whole quantity of oil whose market value falls to be ascertained as at that time for the purposes of the paragraph in question, and of no other oil.
 - (3) If oil whose market value falls to be ascertained as at a particular time under paragraph 3 below for the purposes of paragraph (b) of the said section 2(5) was not all disposed of to the same person, then the market value at that time of so much of that oil as was disposed of to any one person shall be ascertained in accordance with sub-paragraphs (1) and (2) above as if that were the only oil whose market value fell to be ascertained as at that time for those purposes (with sub-paragraph (2)(b) above applying accordingly).
 - (4) The provisions of sub-paragraphs (2) and (3) above shall apply for the ascertainment of the market value of oil in any case mentioned in paragraph 2(2) of Schedule 2 to this Act as they apply in relation to the corresponding case mentioned in those provisions.

Aggregate market value of oil for purposes of section 2(5)

- 3
- (1) For the purposes of subsection (5) of section 2 of this Act the aggregate market value of any oil falling within paragraph (b) or (c) of that subsection shall be arrived at

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by ascertaining, for each calendar month in the chargeable period in question, the market value at the material time of so much, if any, of that oil as was—

- (a) in the case of oil falling within the said paragraph (b), delivered as there mentioned in that month; or
- (b) in the case of oil falling within the said paragraph (c), appropriated as there mentioned in that month,

and, in either case, aggregating the market values so ascertained.

- (2) In this paragraph and elsewhere in this Part of this Act "calendar month" (where those words are used) means a month of the calendar year, and "the material time", in relation to a calendar month, means noon on the relevant day, that is to say—
 - (a) for a month containing an odd number of days, the middle day of the month ;
 - (b) for a month containing an even number of days, the last day of the first half of the month.

Oil delivered in place of royalties to be disregarded for certain purposes

- 4 Oil delivered to the Secretary of State under the terms of a licence granted under the Petroleum (Production) Act 1934 shall be disregarded for the purposes of section 2(5) of this Act and for the purposes of the references in section 8(3) and (4) of this Act to a participator's share of the oil won and saved from an oil field in a chargeable period.

Effect of transfer to an associated company of participator's rights etc. in connection with an oil field or relevant licence

- 5 (1) This paragraph applies to any agreement or other arrangement between a participator in an oil field and a company associated with the participator whereby—
 - (a) ownership of all or any of the participator's share of the oil won and saved from the field is transferred to the company ; and
 - (b) the company obtains or assumes all or any of the participator's other rights, interests and obligations in connection with the field or any relevant licence.
- (2) As regards any chargeable period in which a participator in an oil field is a party to an arrangement to which this paragraph applies, the other party to the arrangement shall be treated for all purposes of this Part of this Act (except this paragraph) and for the purposes of section 17 of this Act as having been a participator in the field at all times when the actual participator was such a participator (including times before the arrangement was made), and shall be assessable and chargeable to tax and entitled to make any claim under this Part of this Act, and any deduction or claim under the said section 17, accordingly.
- (3) Where a participator in an oil field is or has been a party to an arrangement to which this paragraph applies then for all purposes of this Part of this Act—
 - (a) anything done by or in relation to the participator in connection with the field or any relevant licence shall be treated as being or having been done by or, as the case may be, in relation to the other party to the arrangement; and
 - (b) all rights, interests or obligations of the participator in connection with the field or any relevant licence shall be treated as being or having been rights, interests or obligations of the other party.
- (4) Where a participator in an oil field is or has been a party to an arrangement to which this paragraph applies, then, if any tax or interest payable under this Part of this Act

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by the other party to the arrangement is not paid within thirty days after the date on which it becomes payable, the Board may by notice in writing require the participator to pay that tax or interest; and where such a notice is served on the participator, the tax or interest in question shall be payable by him forthwith, but without prejudice to the Board's right to recover it from the other party.

- (5) For the purposes of this paragraph "company" means any body corporate, and a participator in an oil field and another company are associated with one another if—
- (a) the participator has control over or is under the control of the other company ;
or
 - (b) the participator and the other company are both under the control of the same person or persons ;
- and in this sub-paragraph " control" has the meaning given by section 534 of the Taxes Act.

Oil owned by a person other than a participator in the oil field from which it was won

- 6 (1) Where a proportion of a participator's share in the oil won and saved from an oil field (as distinct from a specific quantity of oil comprised in that share) is owned by another person (in this paragraph referred to as " the owner ") who acquired it (whether directly or indirectly) under an agreement to which paragraph 5 above does not apply, the following provisions of this paragraph shall have effect.
- (2) For the purposes of this Part of this Act the oil acquired by the owner under the agreement shall be treated in every case as having been disposed of to him by the participator otherwise than in a sale at arm's length.
- (3) Where any oil which the owner owns in right of the agreement is in pursuance of the agreement—
- (a) delivered to the owner by the participator ; or
 - (b) delivered to a third person by the participator acting on behalf of the owner, the delivery shall for the purposes of this Part of this Act be regarded as a delivery by the participator although he does not own the oil.
- (4) This sub-paragraph applies to all such oil (if any) as, being owned by the owner in right of the agreement, is in any chargeable period delivered by the participator as mentioned in the preceding sub-paragraph and would accordingly, apart from the following sub-paragraph, fall to be brought into account under section 2(5)(b) of this Act in computing the assessable profit or allowable loss accruing to the participator in that period (in the following sub-paragraph referred to as " the relevant period ").
- (5) If on a claim made by the participator within two months after the end of the relevant period—
- (a) it is shown that some or all of the oil to which sub-paragraph (4) above applies has been disposed of by or on behalf of the owner crude in sales at arm's length ; and
 - (b) the Board are satisfied that the oil with respect to which it is so shown includes the whole of so much of the oil to which that sub-paragraph applies as has been so disposed of,

then, in computing the assessable profit or allowable loss accruing to the participator in the relevant period, the oil with respect to which it is so shown shall be brought into account by reference to the price received or receivable for it by the owner instead of by reference to its market value.

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*Exclusion from section 2(4)(b) and (5)(d) of offshore oil
in transit to place of first landing in United Kingdom*

- 7 In computing the assessable profit or allowable loss accruing to a participator in a chargeable period from an oil field, the market value of any oil won as mentioned in section 3(1)(f) of this Act—
- (a) shall not be taken into account under section 2(4)(b) of this Act if and to the extent that at the end of the preceding chargeable period the oil was in the course of being transported to the place where it was first landed in the United Kingdom ; and
 - (b) shall not be taken into account under section 2(5)(d) of this Act if and to the extent that at the end of the first-mentioned chargeable period the oil was in the course of being so transported.

Certain subsidised expenditure to be disregarded

- 8 (1) Expenditure shall not be regarded for any of the purposes of this Part of this Act as having been incurred by any person in so far as it has been or is to be met directly or indirectly by the Crown or by any government or public or local authority, whether in the United Kingdom or elsewhere, or by any person other than the first-mentioned person, unless it is so met by a grant made under Part I of the Industry Act 1972 or a grant made under an enactment of the Parliament of Northern Ireland or Measure of the Northern Ireland Assembly and declared by order of the Treasury under section 84 of the Capital Allowances Act 1968 to correspond to a grant made under the said Part I.
- (2) In considering, for the purposes of this paragraph, how far any expenditure has been or is to be met directly or indirectly by the Crown or by any authority or person other than the person incurring the expenditure, there shall be left out of account any insurance or compensation payable in respect of the loss or destruction of any asset.

Election to have amounts mentioned in section 2(9)(b) and (c) spread

- 9 (1) If a participator in an oil field so elects by notice in writing given to the Board before 1st January 1976 or not later than three months after the end of the earliest chargeable period in which he is a participator in that field, the following provisions of this paragraph shall apply in his case as regards that field; and an election under this sub-paragraph shall be irrevocable.
- (2) Where, in computing the assessable profit or allowable loss accruing to the participator in the first or any subsequent chargeable period from the field, any amount attributable to expenditure qualifying for supplement under paragraph (b)(ii) or (c)(ii) of section 2(9) of this Act by virtue of section 3(5) of this Act would, apart from the election, fall to be taken into account under paragraph (b) or (c) of the said section 2(9), then only one-tenth of that amount shall be so taken into account for that period, and, subject to sub-paragraph (3) below, one-tenth of that amount shall be so taken into account in computing the assessable profit or allowable loss accruing to the participator in each of the nine following chargeable periods.
- (3) If the winning of oil from the field permanently ceases at a time before the end of the last of those nine chargeable periods, so much of the amount mentioned in sub-paragraph (2) above as at that time has not been taken into account as there mentioned for any chargeable period shall be so taken into account in computing the assessable

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profit or allowable loss accruing to the participator in the chargeable period in which that time falls.

- (4) Sub-paragraphs (2) and (3) above shall, if the participator in his notice so elects and specifies accordingly, apply as if for the references to " one-tenth" and " nine" there were substituted references to one of the fractions mentioned in the left-hand column below and the corresponding number mentioned in the right-hand column, namely—

one-eighth	seven
one-sixth	five
one-quarter	three
one-third	two.

- (5) The reference in sub-paragraph (2) above to an amount attributable to expenditure qualifying for supplement as there mentioned includes an amount attributable to the expenditure itself as well as an amount calculated by reference to it under paragraph (b)(ii) or (c)(ii) of section 2(9).
- 10 (1) Where a participator has made an election under paragraph 9(1) above, section 8 of this Act shall have effect in his case subject to the following provisions of this paragraph.
- (2) The reduction made under subsection (1) of that section for any chargeable period shall not exceed the reduction which would have fallen to be so made if the participator had not made any such election.
- (3) If for any chargeable period the reduction which would, apart from this sub-paragraph, fall to be made under the said subsection (1) is less than it would have been if the participator had not made any such election, an amount equal to the difference shall be available for use under the following sub-paragraph as regards subsequent chargeable periods.
- (4) For any chargeable period for which a reduction falls to be made under paragraph (a) of the said subsection (1), so much, if any, as the participator may specify of, or of the unused balance of, any amount available for use under this sub-paragraph by virtue of sub-paragraph (3) above shall be used by treating for all purposes of the said section 8 the cash equivalent of his share of the oil allowance for the field for that period as increased thereby.

Restriction of amount of reduction under section 8(1)

- 11 Where—
- (a) a claim under Schedule 5 or 6 to this Act is made after the relevant time ; and
- (b) the reduction which would, apart from this paragraph, fall to be made under subsection (1) of section 8 of this Act for any chargeable period is greater than it would have been if the expenditure and other amounts allowed on the claim had been claimed before and allowed at the relevant time,
- then, if the Board so direct, the reduction made under that subsection for that chargeable period shall be only what it would have been if the expenditure and other amounts allowed on the claim had been claimed before and allowed at the relevant time. In this paragraph " the relevant time " means the end of twelve months

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from the end of the claim period to which the claim mentioned in sub-paragraph (a) above relates.

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.

- (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—

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- (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.
- (5) For the purposes of the computation mentioned in sub-paragraph (3) or (4) above, as the case may be—

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- (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.

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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.

SCHEDULE 5

Sections 3 and 4.

ALLOWANCE OF EXPENDITURE (OTHER THAN ABORTIVE EXPLORATION EXPENDITURE)

Claim periods and claims

- 1 (1) In relation to any oil field—

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- (a) the first claim period is whichever of the following periods the responsible person elects, namely the period ending at the end of June following the determination of the field or the period ending at the end of December following that determination (including, in either case, an unlimited time prior to that determination);
- (b) each subsequent claim period is whichever of the following periods the responsible person elects, namely the period of six months or the period of twelve months from the end of the preceding claim period:

Provided that unless and until the responsible person elects the period of six months from the end of any particular claim period, the claim period next after that claim period shall be taken to be the period of twelve months from the end of it.

- (2) An election under this paragraph must be made by notice in writing to the Board.
- 2
- (1) A claim under this Schedule for the allowance of any expenditure allowable under section 3 or 4 of this Act for an oil field must be made by the responsible person to the Board and, subject to the provisions of this Part of this Act, must be made in a claim or claims for the claim period in which the expenditure is incurred, but may not be made before the determination of the field or more than six years after the end of the claim period in which the expenditure is incurred.
 - (2) A claim under this Schedule for the allowance of any expenditure allowable under section 3 or 4 of this Act for an oil field which was incurred by a person before he became a participator in the field must be made in a claim for the claim period in which he became a participator.
 - (3) A claim under this Schedule shall not include any expenditure allowable under section 3 or 4 of this Act which has been included in a claim under Schedule 6 to this Act.
 - (4) A claim must state—
 - (a) what part (if any) of the expenditure is claimed as qualifying for supplement under section 2(9)(b)(ii) of this Act; and
 - (b) the shares in which, in accordance with their respective interests in the oil field, the participators propose to divide between them, for the purposes of paragraph (b) of section 2(9) of this Act, the expenditure allowed on the claim and the amount which will arise under sub-paragraph (ii) of that paragraph if some or all of that expenditure is allowed on the claim as so qualifying.
 - (5) Where a claim for the allowance of any expenditure under section 4 of this Act for an oil field was made in relation to any asset for the claim period which, in the case of that asset, is the first relevant claim period (as defined in that section), then any claim with respect to that field made under this Schedule for any subsequent claim period must give all such information as is relevant for the purpose of enabling the Board to carry into effect the provisions of that section in relation to that asset.
 - (6) A claim must be in such form as the Board may prescribe and must include a declaration that all statements contained in it are correct to the best of the knowledge and belief of the person making the claim.
- 3
- (1) The Board shall by notice in writing to the responsible person inform him of their decision on the claim, stating in the notice—
 - (a) the amount of the expenditure allowed by them on the claim ;

- (b) the amount, if any, of that expenditure allowed by them on the claim as qualifying for supplement under section 2(9)(b)(ii) of this Act; and
- (c) the shares determined by the Board to be the shares in which, in the opinion of the Board, the amount stated under (a) above or, as the case may be, the aggregate of that amount and an amount equal to the relevant percentage of the amount stated under (b) above, is divisible between the participators for the purposes of section 2(9)(b) of this Act;

and where the decision relates to part only of the expenditure claimed, or claimed as so qualifying, the Board shall give a further notice or notices in relation to the remainder.

- (2) In this paragraph "the relevant percentage" means the percentage mentioned in the said section 2(9)(b)(ii).

- 4 If, in a case where sub-paragraph (5) of paragraph 2 above requires a claim made for a particular claim period to give all such information as is relevant for the purpose there mentioned in relation to an asset, a claim satisfying the requirements of that sub-paragraph is not made within twelve months after the end of that period, then, in carrying into effect the provisions of section 4 of this Act in relation to that asset for that claim period, the Board may proceed according to the best of their judgment, and may make any adjustments under any of the provisions mentioned in paragraph 6(2) of Schedule 4 to this Act accordingly.

Appeals

- 5 (1) If—
- (a) the amount or total of the amounts stated under sub-paragraph (1)(a) of paragraph 3 above in the notice or notices given by the Board under that paragraph on a claim, or the amount or total of the amounts so stated under sub-paragraph (1)(b) of that paragraph, is less than the amount claimed ; or
 - (b) the shares so stated under sub-paragraph (1)(c) of that paragraph in the notice or latest of the notices so given differ from the shares stated under paragraph 2(4)(b) above in the claim,
- the responsible person may by notice in writing given to the Board not more than three years after the making of the claim appeal to the Special Commissioners ; but the bringing of an appeal under this paragraph shall not affect the operation of any notice so given by the Board.
- (2) On an appeal against a decision on a claim brought on the ground mentioned in sub-paragraph (1)(b) above, and in any proceedings arising out of such an appeal, any participator in the oil field to which the claim relates shall be entitled to appear and be heard.
- (3) An appeal against a decision on a claim may at any time be abandoned by a notice in writing given to the Board by the responsible person.
- (4) On an appeal against a decision on a claim, the Special Commissioners may vary the decision appealed against whether or not the variation is to the advantage of all or any of the participators in the oil field to which the claim relates.
- 6 (1) Where the responsible person gives notice of appeal against a decision on a claim on one or both of the grounds mentioned in paragraph 5(1)(a) above and, before the appeal is determined by the Special Commissioners, the Board and the responsible person agree on—

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- (a) the amount of the expenditure that ought to be allowed on the claim ; or
- (b) the amount, if any, of the expenditure claimed which ought to be so allowed as qualifying for supplement under section 2(9)(b)(ii) of this Act,

the appropriate amount (if any) of the expenditure claimed or, as the case may be, claimed as so qualifying shall be treated for the purposes of this Part of this Act as having been allowed by the Board on the claim, and as having been so allowed on the date on which the notice of appeal was given.

For the purposes of this sub-paragraph the appropriate amount (if any) of the expenditure claimed or, as the case may be, claimed as so qualifying, is an amount thereof equal to the excess, if any, of the amount so agreed on over the corresponding amount or the total of the corresponding amounts allowed by the notice or notices previously given by the Board under paragraph 3 above.

- (2) Where the responsible person gives notice of appeal against a decision on a claim on the ground mentioned in paragraph 5(1)(b) above and, before the appeal is determined by the Special Commissioners, the Board and the responsible person agree on the shares in which the amount of any expenditure allowed on the claim, or so allowed as qualifying for supplement under section 2(9)(b)(ii) of this Act, ought to be divided between the participators for the purposes of section 2(9)(b) of this Act, the shares so agreed on shall be deemed to be the shares stated in any notice previously given by the Board under paragraph 3 above on the claim, and shall apply in the case of any part of the expenditure claimed, or claimed as so qualifying, which is by virtue of this or the following paragraph treated as having been allowed on the claim.
 - (3) Where the Board and the responsible person agree on the matter mentioned in sub-paragraph (1)(a), sub-paragraph (1)(b) or sub-paragraph (2) above in the circumstances there mentioned, the corresponding ground of appeal shall be treated as having been abandoned; and where by virtue of this sub-paragraph all the grounds of the appeal fall to be so treated, the appeal itself shall be treated as having been abandoned.
- 7
- (1) Where on an appeal under paragraph 5 above the Special Commissioners determine that any amount or part of an amount in dispute is allowable under section 3 or 4 of this Act or qualifies for supplement under section 2(9)(b)(ii) of this Act, the following provisions of this paragraph shall apply.
 - (2) Subject to paragraph 8(2) below, the said amount or part shall be treated for the purposes of this Part of this Act as having been allowed on the claim to which the appeal relates, and as having been so allowed on the date on which the notice of appeal was given.
 - (3) There shall be made in any computation made under section 2 of this Act, and in any assessment to tax or determination, all such adjustments as are necessary in consequence of the determination of the Special Commissioners.
- 8
- (1) Where—
 - (a) a case for the opinion of the court is stated under section 56 of the Taxes Management Act 1970 (as applied by paragraph 1 of Schedule 2 to this Act) in respect of a determination by the Special Commissioners on an appeal under paragraph 5 above ; and
 - (b) in the proceedings on the case so stated, or in any proceedings arising out of those proceedings, any matter which was determined by the Special

Commissioners on that appeal is finally determined otherwise than in accordance with their determination on that appeal, the following provisions of this paragraph shall apply.

- (2) Any expenditure allowable under section 3 or 4 of this Act, which, if the decision of the Board on the claim to which the appeal under paragraph 5 above related had been in accordance with the final determination of that matter, would have been allowed by that decision, or allowed by it as qualifying for supplement under section 2(9)(b)(ii) of this Act, shall be treated for the purposes of this Part of this Act as having been allowed by the Board on the claim to the extent that it has not been previously allowed on the claim, and as having been so allowed to that extent on the date on which the original notice of appeal was given under paragraph 5 above.
- (3) There shall be made in any computation made under section 2 of this Act and in any assessment to tax or determination all such adjustments or further adjustments as are necessary in consequence of the final determination.
- (4) Any tax which becomes payable in consequence of any adjustment made under sub-paragraph (3) above in an assessment for a chargeable period shall carry interest at the rate of 9 per cent, per annum from four months after the end of that period to the date of payment.
- (5) For the purposes of this paragraph a matter shall not be deemed to be finally determined in any such proceedings as are mentioned in sub-paragraph (1)(b) above until a determination thereof made in any such proceedings can no longer be varied or overruled by the order of any court.

SCHEDULE 6

Sections 3 and 4.

ALLOWANCE OF EXPENDITURE (OTHER THAN ABORTIVE EXPLORATION EXPENDITURE) ON CLAIM BY PARTICIPATOR

- 1 (1) A claim for the allowance of any expenditure allowable under section 3 or 4 of this Act for an oil field may be made to the Board under this Schedule by the participant who incurred it (instead of under Schedule 5 to this Act by the responsible person for that field) if the participant satisfies the Board that, for reasons of trade secrecy, it would be unreasonable for him to have to provide the responsible person with the information necessary for the making of a claim under that Schedule.
- (2) A claim by a participant under this Schedule for the allowance of any such expenditure incurred by him must, subject to the provisions of this Part of this Act, be made in a claim or claims for the claim period in which the expenditure is incurred, but may not be made before the determination of the field or more than six years after the end of the claim period in which the expenditure is incurred.
- (3) A claim by a participant under this Schedule for the allowance of any such expenditure incurred by him before he became a participant in the field must be made in a claim for the claim period in which he became a participant.
- 2 The provisions of Schedule 5 to this Act specified in the first column of the following Table shall apply in relation to a claim under this Schedule as they apply in relation to a claim under that Schedule subject to any modifications specified in the second column of that Table and with the substitution, for references to the responsible person, of references to the participant by whom the claim under this

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Schedule is made and, for references to section 2(9)(b)(ii) of this Act, of references to section 2(9)(c)(ii) of this Act.

TABLE

<i>Provisions applied</i>	<i>Modifications</i>
Paragraph	
2(3)	For the reference to this Schedule substitute a reference to Schedule 5 to this Act.
2(4)	Omit paragraph (b).
2(5)	—
2(6)	—
3(1)	Omit paragraph (c).
4	—
5(1)	Omit paragraph (b).
5(3)	—
5(4)	For the reference to all or any of the participators substitute a reference to the participator by whom the claim is made.
6(1)	—
6(3)	Omit the reference to paragraph 6(2).
7	—
8	—

SCHEDULE 7

Section 5.

ALLOWANCE OF ABORTIVE EXPLORATION EXPENDITURE

- 1 (1) A claim for the allowance, in connection with an oil field, of any abortive exploration expenditure allowable under section 5 of this Act in the case of a participator in that field must be made by the participator to the Board, but may not be made after the end of the period of six years beginning with the later of the following dates, that is to say the date on which the expenditure was incurred and the date of the determination of the field under Schedule 1 to this Act.
- (2) Where a claim under this Schedule has been made and the participator by whom it was made subsequently discovers that an error or mistake has been made in the claim, he may make a supplementary claim within the time allowed for making the original claim.
- (3) The provisions of Schedule 5 to this Act specified in the first column of the following Table shall apply in relation to a claim under this Schedule as they apply in relation

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to a claim under that Schedule, subject to any modifications specified in the second column of that Table and with the substitution, for references to the responsible person, of references to the participator by whom the claim under this Schedule is made and, for references to section 3 or 4 of this Act, of references to section 5 of this Act.

TABLE

<i>Provisions applied</i>	<i>Modifications</i>
Paragraph	
2(6)	—
3(1)	Omit paragraphs (b) and (c).
5(1)	Omit the words from " or the amount " to " (1)(b) of that paragraph " and paragraph (b).
5(3)	—
5(4)	For the reference to all or any of the participators substitute a reference to the participator by whom the claim is made.
6(1)	For " one or both of the grounds " substitute " the ground ", and omit paragraph (b) and the words " or, as the case may be, claimed as so Qualifying " (wherever occurring).
6(3)	Omit " sub-paragraph (1)(b) or sub-paragraph (2) ", and for the words from " the corresponding " to "itself" substitute " the appeal ".
7	In sub-paragraph (1), omit the words from " or qualifies " to " 2(9)(b)(ii) of this Act ".
8	In sub-paragraph (2), omit the words from " or allowed by it " to " section 2(9)(b)(ii) of this Act".

SCHEDULE 8

Section 6.

ALLOWANCE OF UNRELIEVABLE FIELD LOSS

Reference and determination of question of abandonment of oil field

1 Where it appears to the responsible person for an oil field that the winning of oil from the field has permanently ceased he may by notice in writing given to the

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Board refer to them for their decision the question whether the winning of oil from that field has permanently ceased.

- 2 (1) The Board shall, by notice in writing given to the responsible person, inform him of their decision on the question and, if their decision is that the winning of oil has so ceased, shall state the date which they are satisfied is that on which the winning of oil from the field in question ceased.
- (2) The responsible person shall, within one month of his receiving a notice under sub-paragraph (1) above informing him of the Board's decision, furnish a copy of that notice to every person who was at any time a participator in the field in question.
- 3 (1) The responsible person may appeal to the Special Commissioners against the Board's decision by notice in writing given to the Board within three months of his receiving the notice under paragraph 2(1) above informing him thereof.
- (2) An appeal under sub-paragraph (1) above may at any time be abandoned by notice in writing given to the Board by the responsible person.

Claims by participators for allowance of unrelievable field losses

- 4 (1) A claim for the allowance, in connection with an oil field, of any unrelievable field loss allowable under section 6 of this Act in the case of a participator in that field must be made by the participator to the Board and must be made within six years of the later of the following dates, that is to say the date of the decision (whether of the Board or on appeal from the Board) that the winning of oil from the oilfield in the case of which the loss accrued has permanently ceased, and the date of the determination under Schedule 1 to this Act of the last-mentioned field.
- (2) Where a claim under this Schedule has been made and the participator by whom it was made subsequently discovers that an error or mistake has been made in the claim, he may make a supplementary claim within the time allowed for making the original claim.
- (3) The provisions of Schedule 5 to this Act specified in the first column of the Table set out in paragraph 1(3) of Schedule 7 to this Act shall apply in relation to a claim under this Schedule as they apply in relation to a claim under the said Schedule 5, subject to any modifications specified in the second column of that Table and with the substitution, for references to the responsible person, of references to the participator by whom the claim under this Schedule is made, for references to the claiming or allowance of expenditure, of references to the claiming or allowance of an unrelievable field loss and, for references to section 3 or 4 of this Act, of references to section 6 of this Act.

SCHEDULE 9

Section 20.

EXTENSION OF SECTION 485 OF TAXES ACT IN RELATION TO PETROLEUM COMPANIES

Definition of petroleum company

- 1 For the purposes of this Schedule a company is a petroleum company if—
- (a) its activities include those specified in any of sub-paragraphs (a) to (e) of paragraph 2 below ; or

- (b) it is associated with a company whose activities include those specified in any of those sub-paragraphs and its own activities include those specified in sub-paragraph (f) of paragraph 2 below.
- 2 The activities referred to in paragraph 1 above are—
- (a) the acquisition or disposal of petroleum or of rights to acquire or dispose of petroleum ;
 - (b) the importation into or exportation from the United Kingdom of petroleum products or the acquisition or disposal of rights to such importation or exportation ;
 - (c) the acquisition otherwise than for importation into the United Kingdom of petroleum products outside the United Kingdom or the disposal outside the United Kingdom of petroleum products not exported from the United Kingdom by the company making the disposal;
 - (d) the refining or processing of crude petroleum;
 - (e) the extraction of petroleum, either under rights authorising it or under contractual or other arrangements with persons by whom such rights are exercisable ; and
 - (f) the ownership, operation or management of ships or pipe lines (as denned in section 65 of the Pipe-lines Act 1962) used for transporting or conveying petroleum or petroleum products.

Petroleum company as resident buyer or resident seller

- 3 (1) The application to a transaction of subsection (1) or (2) of section 485 of the Taxes Act shall not be excluded by the proviso thereto (resident buyer or resident seller) if—
- (a) either party to the transaction is a petroleum company or both are petroleum companies ; and
 - (b) the activities of either or both are or include activities with respect to which the conditions stated in sub-paragraph (2)(a) or (2)(b) below are satisfied ; and
 - (c) the transaction is part of such activities or is connected with them.
- (2) The conditions referred to in sub-paragraph (1) above are—
- (a) that profits from the activities are or would be chargeable to overseas tax for which credit could be given under section 498 of the Taxes Act or in pursuance of arrangements having effect by virtue of section 497 of that Act; and
 - (b) that the activities are exploration or exploitation activities within the meaning of section 38 of the Finance Act 1973.
- 4 Where both the buyer and the seller are resident in the United Kingdom and the Board, in pursuance of the preceding paragraphs, direct that subsection (1) or subsection (2) of section 485 of the Taxes Act is to apply to the computation of the income, profits or losses of the one, the direction may extend the application of that subsection to the computation of the income, profits or losses of the other, and where it does so adjustments shall be made under subsection (3) of that section accordingly.

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*Modification of section 485 of Taxes Act in relation
to certain sales to or by petroleum companies*

- 5 Where any property is sold and either the buyer or the seller is a petroleum company or both are petroleum companies, then if—
- (a) the sale is part of a transaction or series of transactions (whether or not between the same persons) and its terms are affected by those of the remainder of the transaction or transactions ; or
 - (b) what is sold is petroleum extracted under rights exercisable by a company other than the buyer, and not less than 20 per cent, of that company's ordinary share capital was at the time of the sale owned directly or indirectly by one or more of the following, that is to say the buyer and any companies associated with the buyer,
- section 485 of the Taxes Act shall apply in relation to the sale as if in both subsection (1) and subsection (2) of that section paragraph (a) were omitted.

Determination of arm's length price

- 6 (1) Where a petroleum company was a party to a sale of property, then, in determining for the purposes of section 485 of the Taxes Act what price the property might have been expected to fetch had the parties to the transaction been independent persons dealing at arm's length and what consequences would have ensued in computing the income, profits or losses of the seller or the buyer for tax purposes if the property had been sold for that price, it shall be assumed—
- (a) that the terms of the transaction would have been such as might have been expected to secure both to the buyer and to the seller a reasonable profit from transactions of the same kind carried out on similar terms over a reasonable period ; and
 - (b) that the seller would not have been compelled by law or by executive action of any government to demand a price fixed by law or such action or a price not less than one so fixed ; and
 - (c) that, if the transaction was part of a transaction or series of transactions (whether or not between the same persons), its terms would not have been affected by those of the remainder of the transaction or transactions ; and
 - (d) in a case where the whole of the property sold is not delivered by the seller within twelve months after the date of the sale—
 - (i) that such part of the property as is delivered within that time would have fetched a price equal to that which it might have been expected to fetch if sold under a contract for the sale of that part and of no other property, being a contract made at the date of the sale ; and
 - (ii) that such part of the property not so delivered as is delivered in any calendar month would have fetched a price equal to that which it might have been expected to fetch if sold under a contract for the sale of that part and of no other property, being a contract made at the material time in that month ;
- and no regard shall be had to the terms of similar transactions which were capable of being varied.
- (2) In this paragraph " material time " and " calendar month " have the meaning given by paragraph 3(2) of Schedule 3 to this Act.

Supplementary

7 (1) In this Schedule—

"petroleum" includes any mineral oil or relative hydrocarbon, and, except in the expression "crude petroleum", includes natural gas;

"petroleum products" means products derived from petroleum and wholly or substantially of a hydrocarbon nature.

(2) For the purposes of this Schedule—

- (a) two companies are associated with one another if one is under the control of the other or both are under the control of the same person or persons, and "control" has the meaning given by section 534 of the Taxes Act;
- (b) any question whether ordinary share capital is owned by a company directly or indirectly shall be determined as for the purposes of section 532 of the Taxes Act;
- (c) rights are exercisable by a company if they are exercisable by that company alone or jointly with another company or companies;
- (d) subsection (6) of section 485 of the Taxes Act (which extends the provisions of that section to transactions which are not sales) shall apply for the purposes of this Schedule except those of paragraph 5(b).