



# Oil Taxation Act 1975

## 1975 CHAPTER 22

### PART I

#### PETROLEUM REVENUE TAX

#### 8 Oil allowance

- (1) Subject to the provisions of this section and paragraphs 10 and 11 of Schedule 3 to this Act, where a participator in an oil field would, apart from this section and section 9 of this Act, be chargeable to tax for any chargeable period on an amount ("the said amount") consisting of the assessable profit accruing to him in the period from the field or that profit as reduced under section 7 of this Act by any allowable losses, then for the purpose of determining his liability, if any, to tax for that period, the said amount shall be treated as reduced or further reduced as follows, that is to say—
- (a) if the said amount exceeds the cash equivalent of his share of the oil allowance for the field for that period, to an amount equal to the excess; or
  - (b) if the said amount does not exceed the cash equivalent of his share of that allowance, to nil.
- (2) The oil allowance for an oil field is, for each chargeable period, 500,000 long tons, and shall be divided between the participators in shares proportionate to their shares of the oil won and saved from the field during the period.
- (3) For the purposes of this section the cash equivalent of a participator's share of the oil allowance for an oil field for a chargeable period is (subject to subsection (4) below) the amount given by the formula:—

$$£\left(A \times \frac{B}{C}\right)$$

where—

A is the gross profit accruing to him in the period or, if a gross loss (or neither a gross profit nor a gross loss) accrues to him in the period, nil (in which case the cash equivalent itself will be nil);

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*Status: This is the original version (as it was originally enacted).*

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B is his share of the allowance, in long tons ; and

C is his share, exclusive of excluded oil within the meaning of section 10 of this Act, of the oil won and saved from the field during the period, in long tons.

- (4) If a participator in an oil field so elects by notice in writing given to the Board at the time when he makes his return under paragraph 2 of Schedule 2 to this Act for a chargeable period, then the cash equivalent of his share of the oil allowance for the field for that period shall be determined under subsection (3) above—
- (a) to the extent that his share of that oil allowance does not exceed his share of the oil (other than gas) won and saved from the field in the period, as if in computing the gross profit or gross loss accruing to him in the period all amounts relating to gas fell to be disregarded; and
  - (b) to the extent, if any, that his share of that oil allowance exceeds his share of the oil (other than gas) so won and saved, as if in computing the gross profit or gross loss so accruing all amounts relating to oil other than gas fell to be disregarded.
- (5) For the purposes of this section the amount of the oil allowance for an oil field utilised by a participator in any chargeable period is—
- (a) if in his case a reduction is made for that period under subsection (1)(a) above, an amount in long tons equal to his share of the oil allowance for the field for that period;
  - (b) if in his case a reduction is made for that period under subsection (1)(b) above, the amount in long tons arrived at by multiplying his share of the oil allowance for the field for that period (in long tons) by the fraction of which the numerator is the amount of that reduction and the denominator is the cash equivalent of his share of the said oil allowance ;
  - (c) in any other case, nil.
- (6) The total oil allowance for an oil field shall not exceed 10 million long tons, and accordingly—
- (a) for each chargeable period there shall be determined the aggregate of the amounts of the oil allowance for the field utilised by the participators in that period; and
  - (b) as regards the earliest chargeable period such that the sum of the aggregate determined under paragraph (a) above for that period and the aggregates so determined for each earlier chargeable period would, apart from this subsection, exceed 10 million long tons, the necessary restriction shall be apportioned between the participators in such manner as may be notified to the Board by the responsible person or, in default of such notification, as may be determined by the Board.

In this subsection " the necessary restriction" means the restriction necessary to secure that the aggregate determined under paragraph (a) above for the chargeable period to which paragraph (b) above applies will, when added to the sum of the aggregates so determined for each earlier chargeable period, produce a total of 10 million long tons.

- (7) For the purposes of this section 40,000 cubic feet of oil consisting of gas at the temperature and pressure mentioned in section 1(4) of this Act shall be counted as equivalent to one long ton of oil other than gas.
- (8) Any reduction to be made under subsection (1) above shall be made before applying the provisions of section 9 of this Act.