



# Finance Act 1981

## 1981 CHAPTER 35

### PART VII

#### PETROLEUM REVENUE TAX

#### **115 Contracts with deferred payment**

- (1) Expenditure incurred in pursuance of a contract to which this section applies shall not qualify for supplement under section 2(9)(b)(ii) or (c)(ii) of the principal Act.
- (2) This section applies to any contract which is entered into after 1st July 1980 unless—
  - (a) the amount required to be paid under it by the person incurring the expenditure is less than £10 million; or
  - (b) it is reasonable to expect, at the time when the contract is entered into—
    - (i) that not less than 90 per cent, of that amount will be paid within nine months of the date on which the other party begins to perform the contract; or
    - (ii) that a payment or payments in respect of that amount will be made which comply with subsection (3) below;

and for the purposes of paragraph (a) above there may be disregarded any provision of the contract allowing for variations in the amount payable to take account of changes in costs or design.

- (3) The payment or payments referred to in subsection (2)(b)(ii) above must be such that the amount to be paid up to any time after the date on which the other party to the contract begins to perform it is equal to not less than 75 per cent, of the amount that would have become payable up to that time if—
  - (a) the payments required to be made under the contract were such that the first of them was payable within six months after that date and each subsequent one within six months after the previous one ; and
  - (b) the first of the payments were required to be of an amount proportionate to the extent to which the contract has been performed by that party since that date and each subsequent one to be of an amount proportionate to the extent

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*Status: This is the original version (as it was originally enacted).*

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to which the contract has been so performed since the previous payment was required to be made.

- (4) Where a contract requires a payment in respect of any period or in respect of the completion of any stage in the performance of the contract to be made within three months after the end of that period or within three months after the completion of that stage the amount to be paid up to any time shall be determined for the purposes of subsection (3) above as if the payment were required to be made at the end of that period or on completion of that stage.
- (5) Where a contract provides for payments in respect of the completion of stages in the performance of separate parts of the work specified in the contract, the payments under the contract shall be treated as complying with subsection (3) above if the payments attributable to each part of the contract would have complied with that subsection if that part had been the subject of a separate contract.