

SCHEDULES

SCHEDULE 1

ALLOWABLE EXPENDITURE

PART II

SPECIAL RULES AS TO EXPENDITURE ALLOWABLE IN RESPECT OF FIXED ASSETS AND DEDICATED MOBILE ASSETS

Interpretation

- 4 In this Part of this Schedule—
- " allowable expenditure " means expenditure which, subject to the provisions of this Part, is allowable as mentioned in subsection (4) of the principal section ;
 - " the new asset" means the asset referred to in subsection (1) of the principal section which was acquired or brought into existence, or the value of which was enhanced, as a result of the incurring of the allowable expenditure ;
 - " the principal section " means section 3 of this Act;
 - " the purchaser " means the person referred to in subsection (1) of the principal section as the person incurring the allowable expenditure; and
 - " the relevant claim period", in relation to any allowable expenditure, has the same meaning as, by virtue of subsection (5) of the principal section, it has for the purposes of subsection (1) of that section.

Assets acquired etc. for two or more fields

- 5 (1) Subject to sub-paragraphs (2) and (3) below, where the purchaser is a participator in two or more oil fields (in this paragraph referred to as " the purchaser's fields ") and, at the end of the relevant claim period, it appears that the new asset is or is expected to be used in connection with two or more of those fields then, unless it seems just and reasonable to attribute all of the allowable expenditure relevant to the new asset to only one of those fields, that expenditure shall be apportioned, in such manner as may be just and reasonable, between those of the purchaser's fields in connection with which the new asset is or is expected to be used.
- (2) If, in a case falling within sub-paragraph (1) above, the use of the new asset in connection with one of the purchaser's fields (in this paragraph referred to as " the paying field") gives, or is at the end of the relevant claim period expected to give, rise to receipts which, by virtue of section 8 of this Act, are to be attributed to another of those fields, as being the chargeable field, so much (if any) of the allowable expenditure as, apart from this sub-paragraph, would be apportioned to the paying

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field and as is reasonably attributable to the use of the new asset which gives rise to the receipts shall be apportioned to the chargeable field.

- (3) If, in a case falling within sub-paragraph (1) above, it appears, at the end of the relevant claim period, that the new asset also is or is expected to be used otherwise than in connection with a field in which the purchaser is a participator, then—
- (a) in the apportionment made by virtue of sub-paragraph (1) above, such a percentage of the allowable expenditure as is just and reasonable shall be apportioned to that use; and
 - (b) for the purpose of any claim for an allowance in respect of any of the allowable expenditure, the percentage of that expenditure which under paragraph (a) above was apportioned to that use shall be added to the percentage of that expenditure which, under sub-paragraph (1) above, was apportioned to that one of the purchaser's fields which, in relation to the new asset, is the chargeable field.
- (4) If, in relation to the allowable expenditure, the relevant claim periods of the purchaser's fields are not the same, references in the preceding provisions of this paragraph to the end of the relevant claim period are references to the end of that relevant claim period which ends earlier or earliest.
- 6 (1) In any case where—
- (a) the new asset is or is expected to be used in connection with two or more oil fields, and
 - (b) no apportionment of the allowable expenditure falls to be made by virtue of paragraph 5 above,
- the allowable expenditure shall be treated as wholly attributable to the use of the asset in connection with that field in which the purchaser is a participator or, if there is more than one such field, that one of them in relation to which a development decision is or was first made.
- (2) Subsection (7) of section 5A of the principal Act (time when development decision is made) shall have effect for the purposes of sub-paragraph (1) above as it has effect for the purposes of subsection (1)(c) of that section.

Brought-in assets

- 7 (1) The provisions of this paragraph apply where—
- (a) the allowable expenditure is (in whole or in part) referable to the use of the new asset in connection with an oil field which is not an exempt field ; and
 - (b) the allowable expenditure was incurred at a time before the new asset was first used in connection with that oil field, discounting, in the case of a mobile asset, any use in a claim period when it was not dedicated to that oil field ; and
 - (c) during the period (in this paragraph referred to as "the initial period ") between the time when the new asset was acquired or brought into existence and that first use, the new asset was used otherwise than in connection with an oil field, by the purchaser or a person connected with him.
- (2) In any case where—
- (a) at some time during the initial period the new asset was used in a way which, disregarding section 10(2) of the principal Act (exempt gas), would be use in connection with an exempt field, and

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- (b) at the beginning of the initial period it was not reasonable to expect that the asset would be used in connection with an oil field,
the amount which, apart from this sub-paragraph, would be the amount of the allowable expenditure in respect of the expected use referred to in sub-paragraph (1) (a) above, shall be reduced to nil.
- (3) In determining whether the condition in sub-paragraph (2)(b) above is fulfilled, no account shall be taken of use which, by virtue only of subsection (3) or subsection (5) of section 4 of this Act, is treated as use in connection with an exempt field.
- (4) In a case where sub-paragraph (2) above does not apply, the amount which, apart from this sub-paragraph, would be the amount of the allowable expenditure shall be reduced by multiplying it by the fraction of which—
- (a) the numerator is a reasonable estimate of so much of the useful life of the asset as remains after the date on which it was first used as mentioned in sub-paragraph (1)(b) above ; and
- (b) the denominator is the aggregate of that reasonable estimate and the initial period.
- (5) In this paragraph an " exempt field " means an oil field from which all the oil won is excluded oil, as defined in section 10(1) of the principal Act.

Subsequent use of new asset otherwise than in connection with an oil field

- 8 (1) Subject to sub-paragraph (3) below.—
- (a) if at any time the new asset ceases to be used by the purchaser in a way which either constitutes use in connection with an oilfield or would constitute such use but for section 10(2) of the principal Act (exempt gas), and
- (b) thereafter, the new asset is or is expected to be used otherwise than in connection with an oil field and is not disposed of in circumstances giving rise to disposal receipts,
- the amount which, apart from this paragraph, would be the amount of the allowable expenditure shall be taken to be reduced by multiplying it by the fraction specified in sub-paragraph (2) below.
- (2) The fraction referred to in sub-paragraph (1) above is that of which—
- (a) the numerator is a reasonable estimate of the period beginning when the purchaser first used the asset in connection with an oil field or, if it was earlier, when the asset first gave rise to tariff receipts of the purchaser and ending v/hen the asset is or is expected to be first used as mentioned in paragraph (b) of sub-paragraph (1) above after the cessation referred to in paragraph (a) of that sub-paragraph ; and
- (b) the denominator is a reasonable estimate of the useful life of the asset or, where sub-paragraph (4) of paragraph 7 above applies, of so much of that useful life as falls after the date on which the asset was first used as mentioned in sub-paragraph (1)(a) of that paragraph.
- (3) If and so long as an asset gives rise to tariff receipts of the purchaser attributable to an oil field, the asset shall be treated, for the purposes of sub-paragraph (1) above, as if it were used by him in connection with an oil field.
- (4) If, in any case where the amount of any expenditure falls to be reduced under sub-paragraph (1) above, so much of the expenditure as has been previously allowed on

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a claim for any claim period exceeds the reduced allowable expenditure, an amount equal to the excess shall be treated (otherwise than for the purposes of paragraph (b) of that sub-paragraph) as disposal receipts of the purchaser arising from the asset in the chargeable period in which the asset ceased to be used as mentioned in paragraph (a) of that sub-paragraph.

- (5) In the case of an asset which has been used in connection with two or more oil fields for which any of the purchaser's allowable expenditure is or has been allowed or allowable, the chargeable period referred to in sub-paragraph (4) above shall be determined in relation to that one of those fields—

- (a) in connection with which the asset was last used by the purchaser; or
- (b) if it is later, in respect of which the asset last gave rise to tariff receipts of the purchaser;

and the reference in that sub-paragraph to disposal receipts shall accordingly be construed as a reference to disposal receipts attributable to that field.

- (6) In any case where—

- (a) at a time before the new asset is brought into use by the purchaser in such a way as is mentioned in sub-paragraph (1)(a) above, it ceases to be expected to be used in such a way, and
- (b) thereafter the new asset is or is expected to be used otherwise than in connection with an oil field and is not disposed of in circumstances giving rise to disposal receipts,

the amount which, apart from this paragraph, would be the amount of the allowable expenditure shall be taken to be reduced to nil.

- (7) In any case where the amount of any expenditure falls to be reduced to nil under sub-paragraph (6) above, an amount equal to so much of the expenditure as has been previously allowed on a claim for any claim period shall be treated (otherwise than for the purposes of paragraph (b) of that sub-paragraph) as disposal receipts of the purchaser arising from the asset in the chargeable period in which the asset ceased to be expected to be used in such a way as is mentioned in sub-paragraph (1)(a) above.

Mobile assets becoming dedicated assets

- 9 (1) Subject to sub-paragraph (2) below, where any expenditure in connection with a mobile asset has been allowed or is allowable under section 4 of the principal Act and the asset becomes dedicated to an oil field, the expenditure which would otherwise be allowable under the principal section shall be reduced by so much of that expenditure as has been allowed or is allowable under the said section 4.

- (2) Sub-paragraph (1) above does not apply in any case where—

- (a) paragraph 7 above applies ; and
- (b) sub-paragraph (4) of that paragraph applies to reduce the amount of expenditure which is allowable expenditure.