



Finance Act 1991

1991 CHAPTER 31

PART III

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

GENERAL

Oil industry

62 Expenditure on and under abandonment guarantees

- (1) To the extent that, by virtue of paragraph (hh) of subsection (1) of section 3 of the Oil Taxation Act 1975 (as set out in section 103(2) of this Act), expenditure incurred on or after 19th March 1991 by a participator in an oil field is allowable for the purposes of petroleum revenue tax under the said section 3, that expenditure shall be allowed as a deduction in computing the participator's ring fence income.
- (2) Expressions used in subsection (1) above and the following provisions of this section have the same meaning as in Chapter V of Part XII of the Taxes Act 1988 (petroleum extraction activities).
- (3) If, under an abandonment guarantee, a payment is made by the guarantor on or after 19th March 1991, then, to the extent that any expenditure for which the relevant participator is liable is met, directly or indirectly, out of the payment, that expenditure shall not be regarded for any purposes of tax as having been incurred by the relevant participator or any other participator in the oil field concerned.
- (4) In any case where—
 - (a) a payment made by the guarantor under the abandonment guarantee is not immediately applied in meeting any expenditure, and

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- (b) the payment is for any period invested (either specifically or together with payments made by persons other than the guarantor) so as to be represented by, or by part of, the assets of a fund or account, and
- (c) at a subsequent time, any expenditure for which the relevant participator is liable is met out of the assets of the fund or account,

any reference in subsection (3) above or section 63 below to expenditure which is met, directly or indirectly, out of the payment shall be construed as a reference to so much of the expenditure for which the relevant participator is liable as is met out of those assets of the fund or account which, at the subsequent time referred to in paragraph (c) above, it is just and reasonable to attribute to the payment.

(5) In subsections (3) and (4) above—

- (a) “abandonment guarantee” has the same meaning as, by virtue of section 104 of this Act, it has for the purposes of section 105 of this Act; and
- (b) “the guarantor” and “the relevant participator” have the same meaning as in subsection (1) of section 104 of this Act.