

FINANCE ACT 2009

EXPLANATORY NOTES

INTRODUCTION

Section 86 Schedule 40: Oil: Chargeable Gains

Background Note

35. The Government recognises the importance of reducing the distortionary impact of the North Sea fiscal regime on investment decisions and helping facilitate asset trades. Under the existing law, where companies swap pre-development oil licences, these swaps do not give rise to chargeable gains.
36. Under this Schedule, that approach will be extended to all UKCS licence swaps. Where development licence interests are disposed of, to the extent that the consideration for the disposal is another licence, the consideration will be deemed to be the allowable costs plus indexation, giving a no gain/no loss transfer. Where there is a swap and an additional amount is paid over as consideration that amount remains within the chargeable gains regime.
37. In addition, where there is a disposal of assets used in connection with a UKCS field and the proceeds are reinvested in other ring fence assets, either one year before or up to three years after the disposal then, subject to a claim, the gain shall be treated as not being a chargeable gain.
38. The effect of these changes is that a number of transactions will no longer give rise to chargeable gains, making it easier for licence interests and ring fence assets to get into the hands of those most likely to invest in them. But where the assets are sold and the proceeds are not reinvested in the UKCS, then the disposals will be taxed in the normal way.