

# FINANCE ACT 2009

---

## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 88 Schedule 42: Former Licenses and Former Oil Fields*

#### Details of the Schedule

##### **Part 1: Persons Who Cease to Be Licensees Because of Cessation Events**

2. Paragraph 2(2) amends the definition of “participator” in section 12(1) of the Oil Taxation Act (OTA) 1975 to include a person who was previously a licensee but has ceased to be a licensee as a result of a “cessation event”. This sub-paragraph also makes minor consequential amendments to subsection (1).
3. Sub-paragraph 2(3) inserts a new subsection (1A) after subsection (1).
4. New subsection (1A) defines the terms “cessation event”, “current participator”, “former participator” and “default payment”.
5. Paragraph 3 amends the definitions of “current participator” and “former participator” in paragraph 2C(2) of Schedule 5 to OTA 1975 to include the new definition of “participator” introduced by paragraph 2(2) of this Schedule).
6. Paragraph 4 provides that Part 1 of this Schedule has effect in relation to persons who cease to be licensees because of cessation events occurring in chargeable periods beginning after 30 June 2009.

##### **Part 2: Areas Treated as Continuing to Be Oil Fields**

7. Paragraph 6 inserts after the reference to Schedule 1 to OTA 1975 in the entry for “oil field” in section 12(1) of that Act words to the effect that Schedule 1 includes provision about areas that are to be treated as continuing to be oil fields.
8. New paragraph 6 provides that if an area has ceased to be an oil field (or part of one) by virtue of not being part of a licensed area then the said area is to be treated as continuing to be an oil field (or part of one). However this provision will cease if either the area is decommissioned or the area becomes part of a licensed area again.
9. New paragraph 7 provides for determining whether an area treated as being an oil field (or part of one) under paragraph 6 is decommissioned for the purposes of that paragraph. An area is decommissioned for those purposes if either an approved decommissioning programme has been carried out to the satisfaction of the Secretary of State (of the Department of Energy and Climate Change) or, where the area is not subject to a UK offshore decommissioning regime, HM Revenue & Customs (HMRC) are satisfied that decommissioning has been completed. In the latter case the new paragraph provides a right of appeal. Definitions are provided for “qualifying assets”, “relevant area” and “UK offshore decommissioning regime”.
10. Paragraph 8 provides that Part 2 of this Schedule has effect in relation to areas that cease to be oil fields, or parts of oil fields, in chargeable periods beginning after 30 June 2009.