
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, Paragraph 9. (See end of Document for details)

SCHEDULES

SCHEDULE 32

RESTRICTIONS ON ALLOWANCES FOR CERTAIN OIL-RELATED EXPENDITURE

PART 2

EXPENDITURE ON SITE RESTORATION

9 After section 416ZB of CAA 2001 (inserted by section 92) insert—

“416ZC Site restoration services supplied by connected person

- (1) Where—
- (a) a person (“R”) who is carrying on, or has ceased to carry on, a ring fence trade enters into an arrangement,
 - (b) under the arrangement, a person (“S”) who is connected with R provides a service to R in connection with work on the restoration of a relevant site, and
 - (c) (in the absence of this section) all or part of the consideration for the service would be qualifying expenditure of R under section 416ZA, the amount of the expenditure which is qualifying expenditure is restricted under section 416ZD(1).
- (2) Subsection (1)(b) may be satisfied whether the service is provided to R directly or indirectly; and in particular it does not matter—
- (a) whether R and S are parties to the same contract, or
 - (b) whether payments are made by R directly to S.
- (3) Subsections (4) and (5) apply for the purposes of this section and sections 416ZD and 416ZE.
- (4) “Relevant site” has the meaning given by section 416ZA(8).
- (5) References to providing a service include—
- (a) letting a ship on charter or any other asset on hire, and
 - (b) providing goods which are to be used up in the course of providing a service.

416ZD Restriction on allowance available

- (1) In determining how much of the consideration for the service is qualifying expenditure, there is to be left out of account the amount (if any) by which that consideration exceeds D.
- (2) D is the cost to S of providing the service or, if the qualifying expenditure relates to only part of the service, that part.

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- (3) Subsection (2) is subject to—
 - (a) subsection (4), and
 - (b) section 416ZE,
which provide for D to be calculated differently in certain circumstances.
- (4) The following provisions apply in relation to an amount restricted under subsection (1) as they apply in relation to an amount restricted under section 165B(1)—
 - (a) section 165C;
 - (b) section 165E, subject to the modifications in subsection (5).
- (5) The modifications are that—
 - (a) the references to Part 2 are to be read as references to this Part,
 - (b) in subsection (1)(c), the reference to decommissioning expenditure is to be read as a reference to qualifying expenditure under section 416ZA, and
 - (c) in subsection (5), the reference to R's available qualifying expenditure is to be read as a reference to R's qualifying expenditure on the restoration of the site.
- (6) But if, under the arrangement, a particular service or part of a service is provided by more than one person who is connected with R (so that without this subsection there would be more than one amount for D in relation to that service or part), D is the lowest of those amounts.

416ZE Allowance where site restoration undertaken for other participators in oil field

- (1) This section applies where—
 - (a) S carries out the restoration of a relevant site,
 - (b) there are, in addition to R, one or more other participators in the relevant field, and
 - (c) the expenditure incurred in carrying out the restoration is apportioned between the participators (including R) in accordance with their shares in the oil won from the relevant field or their shares in the equity of that field.
- (2) D is the part of the expenditure referred to in subsection (1)(c) which is incurred by R.
- (3) Where—
 - (a) a relevant site has been used in connection with the winning of oil from more than one relevant field, and
 - (b) the expenditure incurred in respect of the restoration is apportioned between those fields in accordance with the contribution from each field to the total of the oil won using that site,
subsections (1) and (2) apply to each such field as if subsection (1)(c) referred to the expenditure apportioned to that field.
- (4) But subsections (2) and (3) do not apply (and section 416ZD(2) applies instead) if—

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- (a) the amount of consideration, or the method of determining the amount of consideration, to be received by S under the arrangement or arrangements, or
 - (b) the apportionment of the liability for that consideration (whether between the participators as mentioned in subsection (1)(c) or between the fields as mentioned in subsection (3)(b)),has been agreed as, or as part of, an avoidance scheme.
- (5) A scheme is an “avoidance scheme” if the main purpose, or one of the main purposes, of a party in entering into the scheme is to enable a person to obtain a tax advantage under this Part that would not otherwise be obtained.
- (6) The reference in subsection (5) to obtaining a tax advantage that would not otherwise be obtained includes obtaining an allowance that is in any way more favourable to a person than the one that would otherwise be obtained.
- (7) In relation to the restoration of a relevant site, “relevant field” means any of the following—
 - (a) the oil field in which the site is located;
 - (b) if the site is the site of a source to the working of which a ring fence trade relates (or related), an oil field from which oil is or has been won by means of working the source;
 - (c) if the site is land used in connection with working such a source, an oil field from which oil is or has been won by means of working the source.
- (8) In this section—
 - “licensee”, “oil” and “oil field” have the same meaning as in Part 1 of OTA 1975, and
 - “other participator” means a person, not connected with R, who is a licensee in respect of any licensed area wholly or partly included in the oil field in question.”

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