Draft Order laid before the House of Commons under sections 349 and 349A of the Corporation Tax Act 2010 and paragraph 22 of Schedule 22 to the Finance Act 2012 for approval by resolution of the House of Commons.

DRAFT STATUTORY INSTRUMENTS

2013 No.0000

OIL TAX

The Additionally-developed Oil Fields Order 2013

*Made - - - - **** 2013*

Coming into force in accordance with article 1

The Commissioners for Her Majesty's Revenue and Customs make the following Order, in exercise of the powers conferred by sections 349 and 349A of the Corporation Tax Act 2010(**1**) and paragraph 22 of Schedule 22 to the Finance Act 2012(**2**).

In accordance with sections 349 and 349A of the Corporation Tax Act 2010, a draft of this Order was laid before the House of Commons and approved by a resolution of that House.

Citation, commencement and interpretation

1.—(1) This Order may be cited as the Additionally-developed Oil Fields Order 2013 and is treated as having come into force on 1st April 2013.

(2) In this Order "CTA 2010" means the Corporation Tax Act 2010.

Additionally-developed oil field

2.—(1) The conditions which a project that is described in a consent for development of an oil field must meet for the purposes of section 349A(1)(b) of CTA 2010 are as follows.

(2) Condition A is that the project was authorised as mentioned in section 349A(1)(a) of CTA 2010 on or after 7th September 2012.

(3) Condition B is that the cost per tonne of the project is more than £60.

(4) Condition C is that the additional reserves of oil which the field has as a result of the project have not been taken into account in calculating the cost per tonne of any qualifying project that has previously been authorised in relation to the field.

(**1**) 2010 c. 4; section 349 was amended by paragraph 14 of Schedule 22 to the Finance Act 2012 (c. 14) and section 349A was inserted by paragraph 15 of Schedule 22.
(**2**) 2012 c. 14.

(5) A project authorised in relation to an oil field is a "qualifying project" for the purposes of paragraph (4) if a field allowance has at any time been held for the field as a result of the project.

(6) Condition D is that, as at the authorisation day, the whole of the oil field lies on the seaward side of the baselines from which the territorial sea is measured.

(7) Condition E is that the project does not involve enhanced oil recovery using carbon dioxide.

(8) For the purposes of this article the "cost per tonne" of a project authorised in relation to an oil field means the amount given by—

$$\frac{E}{R}$$

where—

E is the expected capital expenditure of the project (see paragraph (9)), and

R is the sum of the amounts of additional reserves of oil (in tonnes) which the field and any other oil fields have as a result of the project.

(9) The expected capital expenditure of a project is to be determined as follows—

Step 1

Calculate the amount of capital expenditure which it is reasonably expected, as at the authorisation day, will be incurred in carrying out the project.

In calculating that amount, ignore any expenditure incurred before the authorisation day which, if the project had not been authorised, would have been wasted expenditure.

Step 2

Calculate the amount of any capital expenditure which it is reasonably expected, as at the authorisation day, would have been incurred on or after that day if the project had not been authorised.

In calculating that amount, ignore any expenditure which—

(a) would have been incurred under an agreement entered into before the authorisation day, and

(b) would not have been wasted expenditure.

Step 3

Deduct the amount given by step 2 from the amount given by step 1.

But if the amount given by step 2 is greater than the amount given by step 1, the expected capital expenditure of the project is nil.

(10) In determining the expected capital expenditure of a project—

(a) where an amount attributed to an item of expenditure includes an amount for contingencies, the amount so included may not exceed 20% of the amount that would be attributed to that item of expenditure in the absence of any amount for contingencies,

(b) expenditure is not to be treated as wasted expenditure to the extent that it is recoverable, and

(c) the following are to be disregarded—

(i) any decommissioning expenditure (within the meaning of section 330C of CTA 2010(**3**)), and

(ii) any payments of interest.

(**3**) Section 330C was inserted by paragraph 3 of Schedule 21 to the Finance Act 2012.

(11) For the purposes of this article—

(a) the amount of additional reserves of oil which a field has is to be determined on the authorisation day,

(b) 1,100 cubic metres of gas at a temperature of 15 degrees celsius and pressure of one atmosphere is to be counted as equivalent to one tonne,

(c) "authorisation day", in relation to a project, means the day when the project is authorised as mentioned in section 349A(1)(a) of CTA 2010, and

(d) "territorial sea" means the territorial sea of the United Kingdom.

Amendments of CTA 2010

3. Chapter 7 of Part 8 of CTA 2010 (reduction of supplementary charge for eligible oil fields) is amended as follows.

4. In section 337 (licensee to hold field allowance), in subsection (2), for "section 356" substitute "sections 356 and 356A".

5. In section 340 (conditions for activation of field allowance where no change in equity share), after subsection (5) insert—

"(6) But in a case where the field is an additionally-developed oil field in relation to which a qualifying project has been authorised as mentioned in section 349A(1)(a), the company is to be treated as having relevant income from the field in the accounting period if, and only if—

(a) a substantial amount of work has been done in relation to the project, and

(b) the accounting period begins on or after the first day of the year of expected first production for the field.

(7) For the purposes of subsection (6)—

(a) "the year of expected first production" for the field is the year that was notified to the national authority, on or before the day on which the project was authorised, as the calendar year in which additional reserves of oil were expected to be first won from the field as a result of the project, and

(b) "qualifying project" means a project meeting the conditions in subsection (1)(aa) and (b) of section 349A."

6. In section 341 (activation of field allowance), in subsection (3), for "section 356" substitute "sections 356 and 356A".

7. In section 342 (conditions for activation of field allowance where change in equity share), after subsection (5) insert—

"(5A) But in a case where the field is an additionally-developed oil field in relation to which a qualifying project has been authorised as mentioned in section 349A(1)(a), the company is to be treated as having relevant income from the field in the accounting period if, and only if—

(a) a substantial amount of work has been done in relation to the project, and

(b) the accounting period begins on or after the first day of the year of expected first production for the field.

(5B) For the purposes of subsection (5A)—

(a) "the year of expected first production" for the field is the year that was notified to the national authority, on or before the day on which the project was authorised,