

Treatment of certain disposals. FA92 s88 697.—(1) In this section, “relevant period”, as respects a disposal, means the period beginning 12 months before and ending 3 years after the disposal, or such longer period as the Minister for the Marine and Natural Resources may, on the application of the person making the disposal, certify to be in that Minister's opinion reasonable having regard to the proper exploration, delineation or development of any licensed area.

(2) This section shall apply where on or after the 14th day of January, 1985, a person, with the consent of the Minister for the Marine and Natural Resources, makes a disposal of an interest in a licensed area (including the part disposal of such an interest or the exchange of an interest owned by the person in one licensed area for an interest in another licensed area) and the disposal is shown to the satisfaction of that Minister to have been made for the sole purpose of ensuring the proper exploration, delineation or development of any licensed area.

(3) Where this section applies as respects a disposal by a person (neither being nor including an exchange referred to in subsection (2)) and the consideration received by the person is in the relevant period wholly and exclusively applied (whether by the person, or on that person's behalf by the person acquiring the asset disposed of) for the purposes of either or both of the following—

(a) petroleum exploration activities, and

(b) searching for or winning access to petroleum in a relevant field,

then, for the purposes of the Capital Gains Tax Acts, if the person making the disposal makes a claim in that behalf, the disposal shall not be treated as involving any disposal of an asset but the consideration shall not, as respects any subsequent disposal of any asset acquired or brought into being or enhanced in value by the application of that consideration, be deductible from the consideration for that subsequent disposal in the computation of the chargeable gain accruing on that disposal.

(4) (a) Where this section applies as respects an exchange referred to in subsection (2), then, for the purposes of the Capital Gains Tax Acts, if the person making such an exchange makes a claim in that behalf, the exchange shall not be treated as involving any disposal or acquisition by that person of an asset, but the asset given by that person and the asset acquired by that person in the exchange shall be treated as the same asset acquired as the asset given by that person was acquired.

(b) Notwithstanding paragraph (a)—

(i) where the person receives for the exchange any consideration in addition to the interest in the other licensed area, this subsection shall not apply as respects the claim made by that person unless the additional consideration is applied in the relevant period in the manner referred to in subsection (3) but, where that additional consideration is so applied and the person makes a claim that this subsection should apply, it shall so apply as if the asset given by that person in exchange were such portion only of that asset as is equal in value to the interest in the other licensed area taken by that person in the exchange, and subsection (3) shall apply as if the remaining portion of the asset so given by that person were disposed

of by that person for that additional consideration, and

(ii) where the person gives for the exchange any consideration in addition to the interest in a licensed area given by that person in the exchange, this subsection shall apply as respects the claim made by that person as if the interest in the other licensed area taken by that person in the exchange were such portion only of that interest as is equal in value to the interest in the licensed area given by that person in the exchange.