HMRC - OT00110 - The Taxation Of The UK Oil Industry: An Overview: Public Accounts Committee Report 1973 And The 1974 White Paper

On 14 February 1973 the Parliamentary Public Accounts Committee issued its report “North Sea Oil and Gas” (HC122). It reflected a comprehensive review of the oil industry, government administration, and the exchequer implications.

It noted that: “Under the present arrangements the UK will not obtain either for the Exchequer or the balance of payments anything like the share of the “take” of oil operations on the continental shelf that other countries are obtaining for oil within their territories. Indeed at present the only certain revenue from a large number of the North Sea operations is the royalty and licence payments. This situation needs close review…”. It was particularly concerned that profits from continental shelf operations could be offset by extraneous losses and capital allowances.

1974 White Paper

The Department of Energy issued on 11 July 1974 a White Paper “United Kingdom Offshore Oil & Gas Policy” (Cmnd 5696). It set out the Government’s two main objectives, to secure a fairer share of profit for the nation and to maximise the balance of payments benefit, while ensuring the oil companies received a suitable return on their heavy capital investment in exploration and production.

The White Paper proposed that the Government should introduce what was to become Petroleum Revenue Tax and the Corporation Tax ring fence. These formed the basis of the first Oil Taxation Bill.

Previous page

Next page