HMRC - OT03150 - PRT Overview Of PRT - Computation Of PRT Charge

As PRT is a field related tax the charge to PRT is primarily based on a participator’s share of the taxable income from the field less the participator’s share of the allowable costs for that field. There are however special rules that also allow certain types of non-field related costs and in addition to costs there are also some further allowances and reliefs that are available on a field specific basis.

Assessable Profit or Allowable Loss

The first stage in calculating a participator’s liability in respect of a field for a chargeable period is the computation of the participator’s assessable profit or allowable loss for the period. The method of calculation is set out in OTA75\S2. The legislation uses the terms positive amounts and negative amounts. These are basically incomings (positives) and expenditure and certain specific reliefs (negatives). It should be noted that some items, e.g. the licence debit or credit for the period, can be either a positive or a negative element in the computation. The amounts to be included in the computation of the participator’s assessable profit or allowable loss for the period are set out below.

The gross profit or loss accruing to the participator in the period (OTA75\S2(4)) (see OT05000).

The licence debit or credit for the period (OTA75\S2(6)) (see OT05501).

Licence payments other than royalties (FA81\S118) (see OT05530).

Tariff receipts (OTA83\S6) (see OT15025) less tariff receipts allowances (OTA83\S9) (see OT15600).

Disposal receipts (OTA83\S7) (see OT15060).

Excess qualifying receipts (FA83\SCH8\PARA12(2)) (see OT13860).

The amount of expenditure to be debited or credited to the participator for the period (OTA\S2(8)):

the participator’s share of any expenditure claimed under OTA75\SCH5 (see OT04425) and any expenditure claimed by the participator under OTA75\SCH6 (see OT04480), that has been allowed before the assessment (or loss determination) for the period has been made

Supplement (see OT12000) due on the expenditure in (a) that has been allowed as qualifying expenditure

any abortive exploration expenditure (see OT13950), exploration and appraisal expenditure (see OT13975) and research expenditure (see OT14100) claimed under OTA75\SCH7 (see OT13760) that has been allowed before the assessment (or loss determination) for the period has been made

any unrelievable field losses relating to an abandoned field (OTA75\S6) (see OT16250) that have been allowed in respect of this field before the assessment (or loss determination) for the period has been made

any Provisional Allowance due (see OT14300)

any clawback of provisional allowance given in the last but one preceding period (OTA75\S2(8)(b)) (and in certain circumstances for the preceding period (OTA75\S2(10)) (see OT14350).

Cross Field Allowance (FA87\S65) (see OT13000).

The positive and negative amounts in 1 - 8 are totalled and the resulting figure is the assessable profit or allowable loss for the period.

Unutilised field losses and Oil Allowance

If the result of the OTA75\S2 computation is an allowable loss then that is the loss for the period. If however the result is an assessable profit there are further amounts that may be available to be deducted from the amount of the assessable profit:

unutilised field losses from an earlier or later period (OTA75\S7) (see OT16000).

the cash equivalent of oil allowance (OTA75\S8) (see OT17025).

PRT Charge

After any available losses or oil allowance have been deducted from the assessable profit the amount remaining is chargeable to PRT at 50%.

Safeguard

In the majority of cases the amount of a participator’s PRT liability for the period in respect of the field will be the amount of PRT computed on the basis set out above. In certain circumstances the amount of the PRT liability may however be reduced by Safeguard (see OT17525).

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