HMRC - OT03515 - FA93 - Effect On Non-Taxable And Taxable Fields

Non-taxable fields

The most significant of the FA93 reforms was the abolition of PRT in relation to oil fields for which development consent (‘Annexe B approval’) was granted on or after the date of the announcement -16 March 1993. Such fields are known as “non-taxable fields” (FA93\S185(1)).

All non-taxable fields are outside the scope of PRT for all purposes e.g. charge on production, tariff and disposal receipts, expenditure relief, routine returns and claims (FA93\S185(3) FA93\S185(4) and FA93\S187(1)).

FA07\S102 amends FA93\S185(1) to include as a non-taxable field an oil field that has satisfactorily completed a previously approved decommissioning programme in respect of the relevant assets of the oil field following which consent for development in respect of the whole or part of that field is granted. It will then be considered to be a non taxable field for PRT purposes. See “Recommissioned Fields” below.

Section 107 and Schedule 33 of FA 2008 introduce FA93\S185(1ZA) allowing field participators to elect for a field that is never likely to pay PRT to become non-taxable. The election is, subject to exceptional circumstances, irrevocable. OT19250 gives details.

Taxable fields

A “taxable field” is defined in FA93\S185(1)as a field which is not a non-taxable field.

A field, any part of which has been subject to a development consent, or in respect of which a programme of development has been served on a licensee or approved by the Secretary of State before the 16 March 1993 cut-off date remains a “taxable field” (FA93\S185(1)). As a field may have more than one development consent it will be “non-taxable” only if no part of the field had development consent on or before 16 March 1993. Thus, where a “taxable” field’s boundary is extended post-Budget to take in a new area; that area will become part of the “taxable” field (FA93\S185(1)(a) and FA93\S185(1)(b)).

Unrecognised future fields

A field that is determined after 16 March 1993 is not treated as “taxable” merely because a development decision for an earlier field also covered the then unrecognised future field (for example because it was below an earlier field determined in two dimensions)(FA93\S185(2)).

Transmedian and foreign fields

Transmedian Fields (defined in OT13450) are treated as wholly ‘non-taxable’ where the UK part is non-taxable (see OT03540). In line with the treatment of post 16 March 1993 UK sector fields, future ‘foreign fields’ are also ‘non-taxable’ (see OT03545).

Recommissioned Fields

A “recommissioned field” is defined in FA93\S185(1A) as a field that meets the following conditions -

the Secretary of State has at any time approved one or more abandonment programmes under Part 4 of the Petroleum Act 1998 (or Part 1 of the Petroleum Act 1987) in relation to all assets of the field which are relevant assets;

those programmes have been carried out to the satisfaction of the Secretary of State;

a development decision is made in relation to the field; and

that decision is made on or after 16 March 1993 and after those programmes have been so carried out.

Regarding a) above an asset is a relevant asset (FA93\S185(1B) of an oil field if -

it has at any time been a qualifying asset (see OT15100); and

it has at any time been used for the purpose of winning oil from the field (OT09125).

Regarding c) and d) above a development decision is made in relation to an oil field when;

consent for development is granted to a licensee by the Secretary of State in respect of the whole or part of the field or

a programme of development is served on a licensee or approved by the Secretary of State for the whole or part of the field.

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