HMRC - OT04790 - Information Relating To Sales At Arm’S Length And Market Value Of Oil

FA1984\S115

Under this section the Board may serve notice on a company (which is or has been a participator) requiring the company to provide particulars (which may include details of relevant documents) of certain transactions which appear to be relevant for the purposes of:

determining whether a disposal of oil is a sale at arm’s length, or

ascertaining the market value of any oil

the Board may specify a time limit (being not less than thirty days) for the provision of these particulars.

The transactions in relation to which information may be sought are those in which the company, or an associated company, was a party. A company is associated with another if one is under the control of the other, or both are under the control of the same person or persons (and “control” has the meaning given in ICTA88\S840).

This power may be used in particular to require a participator to provide details of the crude oil trading transaction of an overseas affiliate, which is not itself a participator. Such information cannot formally be required on form PRT1A but is very useful in enabling LB Oil & Gas to provide accurate monthly market values. In practice companies provide this information voluntarily so that formal notices are not required.

This section may also be used to require a company to provide details of transactions which do not appear on forms PRT1, e.g. sales or purchases of gas or LPG by an associate. Details of transactions in gas are particularly important in supplementing the LB Oil & Gas data base for the purposes of valuing non-arm’s length sales.

FA1984\S115 also allows the Board to serve notice on a UK resident member of a group which includes a company which is a participator, requiring the company to make available for inspection certain books, accounts, documents or records of the company itself or one of its 51% subsidiaries (including an overseas subsidiary). The books etc. which may be required are those which relate to any transaction which may be relevant for the purposes of determining whether a disposal by the participator is a sale at arm’s length or ascertaining the market value of any oil won by the participator. Where however a company is required to provide books etc. of an overseas subsidiary, the company may apply to the Board to request it to direct that in the circumstances the requirement ought not to have effect. If the Board agree they shall direct that the company need not comply with the requirement. If the Board refuse the application, the company may appeal to the First-tier Tribunal within thirty days after the refusal. The First-tier Tribunal may determine that the Board’s requirement shall have no effect.

Penalties for failing to comply with a notice under FA1984\S115 are contained in FA1984\S116.

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