HMRC - OT05008 - PRT: Computations - General Introduction

The new rules in FA 2006 introduce some entirely new concepts into oil taxation.

These concepts reflect commercial practice with the aim of producing methods for calculating values for cargoes of oil, sold not at arm’s length, that are as close as reasonably possible to prices that would have been obtained if the sales were at arm’s length.

They also specify more precisely the point that a sale will be taxed.

Both of these concepts depend upon time;

the “tax point”; the day a delivery occurs to fix the point at which taxation occurs, and

the “valuation point”; the period of time, based upon a specified day, that is used to set the price for a cargo.

These two days will often be different for any given cargo- this simply reflects commercial practice.

The following paragraphs explain in more detail what these new concepts are and how they should be used.

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