HMRC - OT05135 - PRT: Computation - Gas Levy

Gas Levy was administered by the Dept of Trade & Industry (now DECC) and abolished by FA1998 for 1998\9 and subsequent years. Valuation inspectors still need background knowledge of the charge and awareness of its interaction with PRT exemption.

Gas levy was introduced by the Gas Levy Act 1981. Its purpose was to recover for the Exchequer some of the profits which had accrued to the former BGC from the increasing value of gas purchased by the Corporation under PRT exempt contracts and at prices which had not kept up with the rise in oil prices.

The levy was payable by the Corporation on any gas purchased under contracts made before 30 June 1975. The Gas Act 1986, which led to the privatisation of BGC, amended the Gas Levy Act so that liability could arise not only on BGT but also on producers.

The Gas Levy legislation contained provisions to charge levy in respect of gas purchased under an exempt contract which has been novated, for example, following the sale of an interest in a field.

These provisions however led to some gas production being liable to both levy and PRT. A number of amendments were therefore been introduced to remove this double charge:

FA80\S123 dealt with the problem of an incremental investment in a field where the new gas was not sold to BGT under the exempt contract. The gas fell within PRT and, but for FA80\S123, would have been liable to levy, payable by the producer. FA80\S123 provided that a producer was only liable to levy if the former BGC was on 23 August 1986 obliged or entitled to purchase the gas on terms which gave rise to liability.

F2A92\S78 dealt with the case where a fixed term exempt contract expired. Any subsequent gas sales fell within PRT and, but for FA92\S78, would continue to be liable to levy. FA92\S78 exempted such gas from levy.

FA93\S209 dealt with a similar situation where an exempt contract was terminated on the grounds that the winning of gas in accordance with the contract had ceased to be commercially viable. If the Secretary of State and the Treasury were satisfied with the bona fides of the case, any subsequent production was only be liable to PRT.

FA93\S209 also made a corresponding amendment to OTA75\S10. Where levy liability ceased in these circumstances then for any subsequent periods, exemption under OTA75\S10(1)(b) also ceased. If this had not been the case then because OTA75\S10(1)(b) operates on cumulative exempt production, substantial amounts of subsequent gas sales would have continued to be exempted.

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