HMRC - OT05240 - Scheme - Ineffective Nomination - How To Calculate Nomination Excesses

Where a company delivers equity oil arm’s length under a BFO contract and the sale under that contract has not been effectively nominated, the company needs to establish whether a nomination excess arises.

Such a delivery is called a ‘relevant delivery’.

FA87\S61(3)

In order to establish whether a nomination excess arises in relation to a relevant delivery (and if so the quantum of the excess), the company must compare:

The proceeds of the relevant delivery,

with

The market value of that delivery ascertained in accordance OTA75\Sch3 (see OT05305 onwards).

Where B is greater than A a nomination excess arises. The quantum of the nomination excess is the difference between B and A.

FA87\S61(4)

Where the relevant delivery is a delivery of blended oil, and the participator has at least one taxable field interest (see OT03100) in the blend, then Regulation 10 SI2006 No. 3312 (see OT05245 below) will apply to determine the proportion of any excess to attribute to each of a company’s ‘new’ field interests in the blend.

The total of a participator’s excesses in a month determines the monthly excesses for each month (FA87\S61(4A)).

The excess nominated proceeds in a chargeable period for each oil field are the sum of that field’s share (determined under Regulation 10) of the monthly excesses for each month of the chargeable period (FA87\S61(4B)).

These excess nominated proceeds are brought into the participator’s gross profits from the field for the chargeable period under OTA75\S2(5(e) for the purposes of determining the participator’s PRT liability from that field for the chargeable period.

Please note: the participator’s monthly excesses from all it field interests in the blend will also be brought into charge for CT and SC(see OT05250 below).

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