HMRC - OT05245 - Allocating Nomination Excesses To Fields

Allocating nomination excesses to fields

Regulation 10 SI 2006 No. 3312 determines how a nomination excess is allocated between a company’s field interests.

Excess from non-equity deliveries disregarded:

It also ensures, where all or part of a relevant delivery is sourced from non-equity oil, that only the proportion, if any, of the excess that relates to equity oil is allocated across a company’s field interests, and brought into charge to PRT, CT and SC.

How it works:

Step 1

In respect of the relevant delivery the company should use the allocation rules in Regulation 4 SI 2006 no. 3312 (see OT05850) to determine how much of that relevant delivery is allocated to each of the company’s field interests.

Step 2

Determine the total volume of the relevant delivery

Step 3

For each of the company’s field interests in the blend:

Divide Step 1 by Step 2

Step 4

Multiply the result of Step 3 to establish the proportion of the nomination excess to allocate to each field interest.

Example:

Spinner Ltd has a relevant delivery of 600,000 bbls for a month.

The proportion of that relevant delivery allocated to each of its field interests under Regulation 4 is as follows:

Field A 100,000 bbls

Field B 200,000 bbls

Field C 100,000 bbls

The other 200,000 bbls were derived form non-equity sources.

The company has a nomination excess of £1.2m in respect of that relevant delivery.

What proportion of that excess is attributable to Field B?

Step 1

Find field B’s proportion of the relevant delivery - 200,000 bbls

Step 2

Find total volume of relevant delivery - 600,000 bbls

Step 3

Divide Step 1 by Step 2 - 200,000\600,000 = 0.33

Step 4

Multiply nomination excess by result of Step 3 - £1.2m x 0.33 = £400k

So Field B’s share of the nomination excess is £400k

Field A and C’s shares would be £200k each.

The company would include these respective excess shares, together with any others arising in the chargeable period in the relevant gross profit from each of their fields (A, B and C) for the chargeable period. This share will also be brought into account for the purposes of SC and CT (see OT05250).

Therefore that proportion of the excess (£400k) that does not relate to a relevant delivery of equity oil will not be brought into account for PRT or SC and CT.

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