HMRC - OT05302 - Valuation Methods Depend Upon The Kind Of Oil Being Valued

Each kind of oil disposed of non-arm’s length (or appropriated) is valued separately. (Note that “oil” is defined in OTA75\S1(1)\*; this definition is much wider than the normal usage of the word “oil” as used in the context of the phrase “North Sea Oil”).

The first major distinction is between oil (in the commonly understood sense) and gas (called “light gases” for tax purposes).

“Light gases” are defined in OTA75\S12 as oil consisting of gas of which the largest component by volume over any chargeable period, measured at 15 degrees centigrade and one atmosphere, is methane or ethane or a combination of those gases. This definition covers most gas which needs to be valued apart from LPG and perhaps some raw gas. Following the amendments to S2(5) and Sch3 made by FA94, light gases are valued on a different basis to other kinds of oil (see OT05375 to OT05425).

Oil that is not light gas is then divided into different kinds of oil. A “kind of oil” is a recognised blend from different fields such as Brent or Forties, oil from a single or group of fields such as Statfjord or Alba, a recognised product such as butane or propane, or a condensate from a specified terminal such as Braefoot Bay.

For practical purposes of calculation, these kinds of oil are divided in two categories based upon whether they have widely commercially available published price assessment or not.

Footnote:

S1(1)…; and in this Part of this Act “oil” means any substance so won or capable of being so won other than methane gas won in the course of operations for making and keeping mines safe.

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