HMRC - OT05308 - Crude Oils And Products - Notional Delivery Day For Stock, Deliveries And Appropriations

The concept of Notional Delivery Day (NDD) is the starting point for the calculation of market values.

What day the NDD will be depends broadly on whether what is being valued is stock or a delivery or an appropriation.

Whatever day the NDD turns out to be, that day need not be a day in the chargeable period in which the stock, delivery or appropriation is being taxed (OTA75\Sch3\Para1A(2)).

Notional Delivery Day for Stock

The NDD for Stock is fixed relative to the Chargeable Period. The legislation does not mention stock, but uses the definition in OTA75\Sch3\Para1A(3):

“In the case of a quantity of oil which, at the end of the chargeable period,

\* has neither been disposed of nor relevantly appropriated in the period, or \* has been disposed of but not delivered in the period,”

(see OT05150).

The notional delivery day is the last business day of the chargeable period. Business Days are Monday to Friday.

Notional Delivery Day for Deliveries and Appropriations

For deliveries and appropriations the NDD will depend upon the existence of a loading slot at the terminal or platform, from which the oil is to be loaded onto a tanker for transport to a refinery, but only if the following conditions, in OTA75\Sch3\para1A(5), are fulfilled:

If that oil is-

oil transported by ship from the place of extraction to a place in the United Kingdom or elsewhere, or

oil transported by pipeline to a place in the United Kingdom and loaded on to a ship there,

and there is a loading slot for it (see OT05310 for definition), the notional delivery day is the middle day of the loading slot.

All the large oil terminals that define a blend of crude oil - those serving a pipeline network that serves to transport the production from the constituent fields and to commingle the different quality field crudes into one blend- have three-day loading slots. Some offshore-loaded crudes also have three-day loading slots, but some have longer load slots to cater for the more uncertain nature of loading oil onto tankers from platforms in the middle of the North Sea.

No loading slot

OTA75\Sch3\Para1A(6) deals with this eventuality. There are two possibilities here:

if oil is delivered on a day in the CP then the NDD is the day of delivery,

if oil is relevantly appropriated on a day in the CP the NDD is the day of the appropriation.

Specific additional rules for Category 2 oils

The rules contained in OTA75\Sch3Para1A are subject to Regulation 24 of The Oil Taxation (Market Value of Oil) Regulations 2006 (SI 2006\3313) in relation to Category 2 oils, where the NDD may be:

The actual delivery date, even where there is a loading slot, if the oil is ordinarily sold on a “floating” basis and one of these delivery dates could be Completion of Discharge\Completion of Load or Bill of Lading as appropriate, (See examples below).

The Day of Delivery where there are circumstances outside control of participator and delivery is more than 7 days late.

Examples

Basilisk field is serviced by an FPSO and its crude oil transported by tanker to ports in North West Europe. The Basilisk crude, which is a Category 2 oil, is normally sold on CIF basis, priced 0-0-5 around the day that the oil is delivered off the tanker at the discharge port. An NAL delivery would be priced for tax purposes around the delivery day at the discharge port. In other words, the NDD is the day of Completion of Discharge. Given that the normal contract terms are 0-0-5 around discharge day, the agreed Category 2 method would reflect that pricing mechanism. The modified NDD under Regulation 24 allows this method to reflect more closely the actual contract terms for this particular (if hypothetical) crude oil.

Alternatively, suppose that Basilisk crude is sold on CIF terms but priced 0-0-5 around the day that the tanker completes loading its cargo from the FPSO. The NDD can then be taken to be the day that the tanker completes loading its cargo from the FPSO. The Category 2 method would be unchanged from example 1, but would be based upon a different date, again reflecting the way that crude is sold.

Another Category 2 crude from Churchill field, is delivered onshore by pipeline to a dedicated facility, where it is exported by tanker. Unusually, this is normally sold CIF priced around the discharge day at the destination port. Here, the NDD will be the day that the oil is loaded onto the tanker at the dedicated onshore facility. (This is a hypothetical example, of which no real examples are known - it illustrates how Regulation 24 would work in such circumstances.

Substituting the NDD with a different day:

OTA75\Sch3Para1A(7) is an anti-avoidance provision, the details of which are in Regulation 8 of The Oil Taxation (Market Value of Oil) Regulations 2006 SI 2006\3313. This describes the circumstances in which a Notional Delivery Day may be substituted with a different day. Guidance on how this will operate is at OT05330.

Previous page

Next page