HMRC - OT05860 - PRT: Terminal Liftings - Production Entitlement

Production entitlement is defined in Reg 2(1).

It is defined, in relation to an originating field (being a field contributing to the blend) as the sum of:

the participator’s opening stock from that field; and

his qualifying production from the field.

Opening stock

Opening stock is defined in the regulations in two different ways. The reason for this is to ensure that the rules are flexible enough to take account of circumstances where a company, for whatever reason, chooses not to apply the rules to allocate liftings operationally as well as for PRT purposes.

Definition 1: On initial application of these regulations:

The first definition applies in respect of the first month to which these rules apply. This would either be when the rules first came into force in July 2006, or when a company first acquired more than one interest in a blend and one of its interests is a field for which six-monthly returns are required.

Opening stock is the participator’s projected share of unlifted oil production from that field from previous months used by the shipping programme operator in constructing the loading schedule for the next month. In other words it is the projected operational opening stock.

Definition 2: For all months after initial application

The second definition applies for all subsequent months.

Opening stock (for PRT- purposes) is the participator’s projected production entitlement at the end of preceding month LESS all liftings allocated to that field to the end of that month under these regulations.

Thus, where a company is applying these rules operationally, the opening stock figure will be the same both operationally and for tax purposes.

Where a company is applying the rules only for tax purposes the operational opening stock figure for any particular field may be different but the company’s overall opening stock position in respect of all its interests in the blend should be the same both tax and operationally.

To ensure that this is the case any adjustments made to operational opening stock for a field in any month to take account of, for instance, earlier month’s hydrocarbon accounting adjustments to volumes of production assigned to a field, should also be made to the tax opening stock for the field for that month.

Note: Opening stock for any month under either definition could be positive or negative.

Qualifying Production

There are two alternative definitions, depending upon the lifting agreement for the blend in question:

“Projected production”; Where liftings in a blend are normally allocated to a company’s field interests in advance of lifting, the qualifying production for the field in any month will be participator’s projected production from that field used by the shipping programme operator in constructing the loading schedule for that month.

“Actual production”; Otherwise it will be the actual oil won by the participator from that field in the month in question.

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