HMRC - OT13210 - - Outline

When PRT was introduced gas from some of the older fields was being sold to the former British Gas Corporation, (BG), then the monopoly downstream distributor, under fixed long- term contracts for the life of the field at prices which had not kept up with oil prices in general. Also, the price per therm payable under those contracts was calculated in pre-PRT terms.

(British Gas Trading (BGT) has inherited these contracts from BGC.) In recognition of this OTA75\s10(1) excludes from the computation of the gross profit the sale proceeds or value of:

any gas sold to British Gas (BG) under a contract made before 30 June 1975, and

any other oil or gas (usually condensate) not sold to BG if at the end of the chargeable period the cumulative amount of such oil or gas is less than 5% of the cumulative amount of gas sold to BG.

The 5% de minimis for other production was introduced to obviate the need for complex apportionments of costs between exempt or non-exempt production which would not be justified by the amounts involved. This normally covers the condensate sales although gas not sold to BG could also fall under this exemption.

Meaning of “Excluded oil” OTA75\10(1)

This gas and condensate is referred to as “Excluded oil” (OTA75\s10(1)) or “exempt gas”.

Fields where all the production is excluded oil are referred to in this manual as “exempt gas fields”.

Participators’ returns do not need to include the price received or receivable for such gas sold to BGT (OTA75\s10(4)).

Correspondingly there is no allowable expenditure (OTA75\s10(2)). (But see OT13240 and OT09375 concerning apportionment.)

The special provisions relating to excluded oil and exempt gas fields are summarised here and where appropriate are linked to the principal parts of the manual that deal with the particular issue.

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