HMRC - OT15150 - Receipts - Chargeable Field

OTA83\S8

Tariff and disposal receipts are chargeable to PRT in the field for which the expenditure incurred by the participator on the ‘qualifying asset’ (to which the receipts relate) is allowable (OTA83\S8(3)). Such a field is known as the ‘chargeable field’ (OTA83\8(5). The meaning of qualifying assets is covered at OT15100.

If there is more than one such field, the receipts are chargeable in the field for which the earliest development decision (see OT13975) was made. But in applying this test, no account is taken of a field

to which, where the asset is a ‘mobile asset’ (see OT11100), that asset is not dedicated and

in relation to which that asset is a qualifying asset only by virtue of being an ‘associated asset’ (see OT11250). (I.e. the asset is an associated asset for one field and a field asset for another.)

If an asset is a qualifying asset only by virtue of being an associated asset, the receipts are attributed to the field of the field asset with which the associated asset is or is expected to be used (OTA83\S8(4)).

If development decisions for two or more fields were made on the same day, OTA83\S8(3A) provides that the chargeable field is that in which the participator is likely to make the most use of the asset. This is normally arrived at by reference to the quantity of oil or gas in each field that will use the asset over its life.

Extended Definition of Participator, FA99\S98

The chargeable field for a participator can alter for a number of reasons including

the acquisition of an older field or

the disposal of the interest in the existing chargeable field but not the interest in the asset generating the receipts.

FA99\S98(2) introduces an extension to the definition of participator in OTA75\S12(1) (see OT03100) where the chargeable field for tariff receipts or disposal receipts would otherwise have altered as a result of the participator disposing of the interest in the field or acquiring an interest in another field. Broadly, the effect of this extension is that the company remains a participator in the field in which tariffs and disposal receipts were originally chargeable, notwithstanding the fact that no field or licence interest is held.

The chargeable field for tariff and disposal receipts may also change where the asset itself has been sold. FA99\S98(4) introduces a further extension to the definition of participator where the participator disposes of the asset in such a way that no disposal receipt arises. The new owner of the asset is deemed to be a participator in the field that had been the chargeable field for the previous owner.

FA99\S98 applies where the disposal or acquisition was made on or after 1st July 1999 unless

the tariff or disposal receipts relate solely to a mobile asset or

no receipts have arisen for a period of at least two chargeable periods after the sale or acquisition of the interest in the field or the disposal of the asset.

FA04\Sch37\Para12 amended FA99\S98 to include tax-exempt tariffing receipts (OT15820). The rules therefore apply irrespective of whether the receipts are tariff receipts or tax-exempt tariffing receipts.

Separate provision is made in FA99\S99 which amends FA82\Sch19\Para3 in order to prevent the withholding of instalment payments in such circumstances, see OT04210.

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