HMRC - OT15540 - Receipts - Purchase Of Oil At Place Of Extraction

OTA83\Sch2\Para12

If oil from another field is transported using the participator’s assets and the participator then buys the oil, the vendor’s selling price will normally reflect the cost of the tariff paid for the services provided by the participator. And the tariff received will be chargeable on the participator. If however the participator buys the oil before it has been transported, the selling price will be lower as the other field does not incur the tariff and there is no tariff to be charged on the participator.

OTA83\Sch2\Para12(1) charges as tariff receipts of the participator the difference between the price paid and the value of the oil when sold or appropriated by the purchaser where

the participator (or any connected person, see OT15580) purchases oil before it has been transported to the place at which it is first landed or to the reasonable place of delivery, see OT09175,

any of the oil is transported, initially treated or initially stored (see OT09200) by means of a qualifying asset (see OT15100) of the participator, and

the value to the purchaser on the disposal or appropriation of the oil exceeds the price paid by the purchaser.

The paragraph does not apply in the following situations:

the oil is received in return for ‘farming-in’ (transactions within OTA83\Sch3\Para6A and see OT18320), OTA83\Sch2\Para12(1)(a),

before the participator’s selling price is determined the oil is either stored in the field of the qualifying asset or used in the extraction of oil from that field, OTA83\Sch2\Para12(4),

the oil purchased is disposed of otherwise than at arm’s length with the result that the market value of the oil is part of the gross profit of a participator in a taxable field, OTA83\Sch2\Para12(5),

if, on the assumption that an amount was receivable by the participator for the transportation, initial treatment or initial storage of the oil, that amount would have been a tax-exempt tariffing receipt (OT15820).

Where the paragraph does apply, the participator’s return for each period should include a calculation of the deemed tariffs.

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