HMRC - OT15675 - Calculation Of Participator's Share Of Tariff Receipts Allowance

Where tariff receipts allowance (TRA) is allowable, each participator receives the cash equivalent of his share of the TRA in respect of the user field. The cash equivalent is arrived at by applying the formula contained in OTA83\Sch3\Para2(1), namely

£ A x B / C

where

A is the amount of the qualifying tariff receipts, see OT15650,

B is the tariff receipts allowance of the user field (see OT15625), i.e. 250,000 metric tonnes (OTA83\S9(2)),

C is the amount, in metric tonnes of the oil to which the qualifying tariff receipts relate (as defined in OTA83\Sch3\Para1(2), see below).

If B/C exceeds unity, TRA is restricted to the amount of the qualifying tariff receipts in A.

The structure of tariff receipts allowance is based on both ‘B’ and ‘C’ being user field related figures. The ‘B’ factor represents no problems being 250,000 metric tonnes in all cases. See below on the ‘C’ factor.

Definition of C Factor, OTA83\Sch3\Para1(2)

The amount of oil from a user field to which the qualifying tariff receipts relate (i.e. the ‘C’ factor) is specifically defined as the oil won from that user field, which in the chargeable period, is extracted, transported, initially treated or initially stored (or subjected to two or more of those operations) by means of the asset to which the qualifying tariff receipts are referable. The ‘C’ factor is therefore the whole of the oil from the user field that is subjected to operations giving rise to qualifying tariff receipts of the participators.

For the calculation of TRA, see

OT15700 where the tariff relates to only part of the throughput and

OT15725 where there are participators in common in the principal and user fields.

The participators in the principal field may only receive one amount of TRA in respect of the qualifying tariff receipts from each user field.

In the case of BP Developments Ltd v CIR (64 TC 498), three tariffs were paid from Brae field to Forties field for three different operations, each using separate assets. The operations were

transport of liquids from Forties to the Kerse of Kinneil, separation into crude oil and gas components, and storage and delivery to a shipping terminal of the crude oil,

processing the raw gas into fractions, storage and delivery to a shipping point,

sweetening of the dry gas and propane fractions.

BP claimed that it was entitled to a separate TRA in respect of each of the qualifying assets. The HMRC view was that only a single TRA was due. The House of Lords found that only one TRA was due in respect of tariffs from each user field on the grounds that that where OTA83\S9(6) uses ‘asset’, the singular use includes the plural, and that in the TRA calculation the ‘C’ factor refers to the whole of the oil which has been subjected to any one or more of the four operations mentioned in OTA83\Sch3\Para1(2) by means of any one or more of the assets to which the qualifying tariff receipts are referable.

Where the tariffs relate to more than one period (‘straddling tariff receipts’), see OT15750.

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