HMRC - OT15700 - Calculation Of Tariff Receipts Allowance Relating To Only Part Of Throughput

A participator may be entitled to use an asset to a limited extent before paying a tariff, e.g. where it owns a share in a pipeline. If its production requirements exceed this share, a tariff may be payable for the excess use.

This situation was considered in Chevron Petroleum (UK) Ltd v CIR (67 TC 414). The point at issue was whether the tariff receipts allowance (TRA) should be calculated by reference to all the oil transported through the pipeline or only by reference to the oil that was subject to a tariff.

The High Court decided that the purpose of OTA83\S9 was to give the participators in a principal field an allowance of 250,000 metric tonnes in respect of the qualifying tariff receipts from a user field and that this could only be achieved if the quantity of oil used in the TRA calculation was limited to oil to which qualifying tariff receipts relate. The oil that was not subject to a tariff therefore had to be excluded from the TRA calculation.

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