HMRC - OT15750 - Qualifying Tariff Receipts Referable To Different Periods

OTA83\SCH3\PARAS4-6

A participator may receive tariffs in a chargeable period which relate to the use of a qualifying asset for a period (the period of use) that is not wholly within the chargeable period in which the payment was received, e.g. a lump sum for use extending over several years. These are known as ‘straddling tariff receipts’. Without special provisions tariff receipts allowance (TRA) might cover the whole sum, e.g. where the throughput in the period of receipt fell short of 250,000 metric tonnes.

Calculation of TRA: Straddling Tariff Receipts, OTA83\Sch3\Para4-5

For the purpose of calculating the TRA on straddling tariff receipts the amount received is spread notionally over the period of use (subject to an overriding maximum of ten years). The method of calculation is as follows:

Each chargeable period that falls wholly or in part within the period of use is identified as a ‘relevant chargeable period’.

The amount of oil won from the user field (see OT15625) which is expected to be ‘qualifying oil’ is determined for each relevant chargeable period. ‘Qualifying oil’ means oil which in that period is extracted, transported, initially treated or initially stored by means of the asset giving rise to the qualifying tariff receipts. If it is not possible to determine the oil which is expected to be qualifying oil for a period, the determination is made on the assumption that any asset giving rise to the qualifying tariff receipts will be used to the full extent that (by reference to the receipts) it is available for extraction, transport, initial treatment or initial storage of oil from the user field.

A portion of the tariff is notionally allocated to each relevant chargeable period in the same proportion as the qualifying oil for the period bears to the total qualifying oil for all relevant chargeable periods.

The TRA is then notionally calculated for each relevant chargeable period using the formula A x B/C where

\* A is the notional qualifying tariff receipts for the relevant chargeable period \* B is the tariff receipts allowance of the user field, i.e. 250,000 metric tonnes \* C is the amount of qualifying oil for the relevant chargeable period.

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

The TRA against the straddling tariff receipt for the chargeable period in which it was received is the sum of the notional TRA amounts calculated for the relevant chargeable periods.

See Example 1 at OT15760.

Calculation of TRA: Straddling and Normal Tariff Receipts, OTA83\Sch3\Para6

Where a relevant chargeable period for notional straddling tariff receipts coincides with a chargeable period for ‘normal’ qualifying tariff receipts of the same user field and the receipts relate to different oil, there are special rules for calculating the TRA in respect of the ‘normal’ tariff receipts.

The method of calculating the TRA to be set against the normal tariffs is as follows:

TRA is calculated on the usual OTA83\Sch3\Para2 lines (see OT15675) but with ‘A’ as the total of the notional straddling tariff receipts relevant to the chargeable period plus the normal tariff receipts, and ‘C’ as the total of the qualifying oil relevant to the chargeable period plus the oil referable to the normal tariff receipts for the period.

The notional TRA in respect of the notional straddling tariff receipts for the relevant chargeable period is deducted from the TRA figure calculated in (1).

The amount remaining (if any) is the TRA available in respect of the normal tariffs.

See Example 2 at OT15770.

Where the normal receipts and straddling receipts relate to the same oil the TRA on the normal receipts is computed in the usual way without any reference to the calculation of the TRA on the straddling receipt.

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