HMRC - OT15880 - PRT: Tax-Exempt Tariffing Receipts - Excepted Assets - Tankers And Tanker Loading Fields

The excepted asset rules apply to the use of tankers in tanker loading field and occasional use situations. For the purposes of OTA83\S6B the terms “dedicated tanker” and “non-dedicated tanker” refer to whether the tanker was dedicated or non-dedicated in relation to the existing field (OT15830). A tanker is a dedicated tanker if it is a mobile asset dedicated to the existing field and that existing field is an oil field. A non-dedicated tanker is any tanker that is not a mobile asset dedicated to the existing oil field. For the general rules determining when a mobile asset becomes dedicated to an oil field (see (OT11150).

If a tanker is not a dedicated mobile asset in relation to a participator in any oil field then it is not a qualifying asset and cannot be a disqualifying asset in relation to the existing field. The rules in OTA83\S6B therefore apply where a tanker was a qualifying asset in relation to a participator in an oil field, for example where the tanker was a dedicated mobile asset in relation to the owner and either a dedicated or non-dedicated tanker in relation to the existing field.

Non-dedicated tankers OTA83\S6B(3)(b)

A qualifying asset (OT15100) is an excepted asset for the purpose of the qualifying existing field (OT15860) condition in OTA83\S6B(1) if at the time of use the asset was a non-dedicated tanker used for transporting oil won from the existing field.

A non-dedicated tanker is any tanker that is not a mobile asset dedicated to the existing oil field.

Assets used subsequent to the transportation of oil by a non-dedicated tanker OTA83\S6B(3)(c)

Where oil won from an existing field was transported by a non-dedicated tanker and other qualifying assets were subsequently used in connection with that oil, those assets are also excepted assets in relation to that use. This rule would apply where for example oil is initially processed or initially stored at a UK terminal after delivery by the non-dedicated tanker.

Dedicated tanker loading fields OTA83\S6B(3)(d)(i) & (ii)

If at any time during the 6 year period oil won from an existing oil field was transported by a dedicated tanker in relation to the existing field and that tanker is a qualifying asset in relation to a participator in any oil field then the tanker is a disqualifying asset for the purpose of the qualifying existing field condition.

Where however a new contract is subsequently made to transport oil won from the existing field and the field is not then expected to be a tanker loading field the dedicated tanker is treated as an excepted asset (OTA83\S6B(3)(d)(i)). Any asset subsequently used in relation to the oil won from the existing field that was transported by the dedicated tanker is then also treated as an excepted asset in relation to that use (OTA83\S6B(3)(d)(ii)).

The existing field is not expected to be a tanker loading field if when the contract is made virtually all of the oil (but not gas) to be won from the field is to be transported other than by tanker.

In practice this means that where the export of oil from an existing field is switched from dedicated tanker to infrastructure and there was no use of any other disqualifying assets in the 6 year period, such as a pipeline to transport gas to the UK, new tariff business for the use of the infrastructure can give rise to tax-exempt tariffing receipts.

Assets used for transporting gas for use in another field OTA83\S6B(3)(d)(iii)

Where the export of oil from an existing field is switched from tanker loading to infrastructure OTA83\S6B(3)(d)(iii) provides a further rule that any asset that was used to transport gas from the existing field to another field for the purpose of enabling that gas to be used for assisting oil extraction from the other field is an excepted asset.

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