HMRC - OT17050 - PRT: Oil Allowance - Entitlement

Entitlement to oil allowance is specified in OTA75\S8(1). If a participator has a PRT liability after taking account of allowable expenditure and losses, and before any safeguard reduction (see OT17500), this subsection provides that oil allowance will reduce that liability, subject only to prescribed field limits.

Oil allowance is therefore an automatic allowance which does not need to be claimed by the participator. The reduction is an amount equal to the ‘cash equivalent’ of the oil allowance due for the chargeable period or, if this exceeds the amount of the assessable profit after losses, the full amount of that profit. Oil allowance cannot convert an assessable profit into a loss.

The allowance due is covered at OT17100 and the calculation of the cash equivalent at OT17150.

If a field interest is transferred in one of the first three chargeable periods of the field, the old participator is not entitled to oil allowance for the transfer period, or for any earlier period, see OT18150 on FA80\SCH17\PARA17.

Oil allowance is also not available to reduce the assessable profit of a participator in a foreign field, see OT13560 on OTA83\SCH4\PARA9(2).

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