HMRC - OT17150 - PRT: Oil Allowance - Calculation Of Cash Equivalent

OTA75\S8(3)

The value of a participator’s share of the oil allowance for any chargeable period depends on its ‘cash equivalent’. Subject to the special arrangements provided by OTA75\S8(4) for computing the value of the allowance primarily by reference to the oil rather than the gas produced (see OT17250), this is determined under the formula in OTA75\S8(3).

The formula is expressed as £(A x B/C), and the factors are defined as follows for each participator:

A = its gross profit accruing in the period (or nil if there is a loss) as defined in OTA75\S2(4)

B = its share of the oil allowance in metric tonnes (MT), see OT17100

C = its share in MT of the oil ‘won and saved’ during the period exclusive of oil within OTA75\S10 (‘exempt gas’, see OT13200 and OT17250). The meaning of ‘won and saved’ is considered further at OT17200.

Example

A participator with a 30% share in an old field that produces 1 million MT per chargeable period has a gross profit for the chargeable period of £45,000,000. The cash equivalent of his oil allowance will be

Calculation:

A x B/C

£45,000,000 x 75,000 MT / 300,000 MT = £11,250,000

Note:

An alternative way of calculating the cash equivalent, under an OTA75\S8(4) election is covered at OT17250.

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