HMRC - OT17600 - PRT: Safeguard - Limit On Chargeable Periods

OTA75\S9(1A)

First Chargeable Period (CP) ends on or before 30 June 1985

OTA75\S9(1A), introduced by FA81\S114, imposes a limit on the number of CPs for which PRT may be reduced by safeguard. This limit is:

the number of CPs from the first CP to the net profit period (NPP) inclusive, see OT12650,

plus one half of that number (but rounding any fraction up to the nearest whole period).

This test applies to all oil fields in respect of which the first chargeable period ends on or before 30 June 1985.

First CP ends after 30 June 1985

The above provision was amended by FA85\S91(1). This removed an anomaly which could arise where, following the discovery of a field, an extended production test produced oil in sufficient quantity to activate the first CP only to be followed by a lengthy delay before a development decision was taken. In such a situation the safeguard period could be artificially extended by the ‘barren’ period before the development decision.

The amendment, which applies to fields where the first CP ends after 30 June 85, corrects that anomaly by taking out of the formula (in respect of the one-half addition) those periods where the oil won did not exceed 1,000 metric tonnes. The limit is therefore

(a) the number of CPs from the first CP to the NPP inclusive

plus (b) one half of the number of those CPs in which the amount of oil won and saved from the field exceeded 1,000 metric tonnes (rounding any fraction up to the nearest whole period).

If the oil won and saved does not exceed 1,000 metric tonnes in any particular period from the first CP to the NPP, that period is still taken into account in calculating (a) above, but is disregarded in calculating (b).

For the purpose of calculating metric tonnes, 1,100 cubic metres of gas at a temperature of 150 centigrade and pressure of one atmosphere is treated as equivalent to one metric tonne.

Compare generally the definition of the ‘critical half year’ when determining the first CP of a field, see OT04005 (OTA75\S1(3)-(4)).

Example

Safeguard therefore applies up to and including the CP ending 30 June 1992.

If the oil won and saved from say CP2 is only 900 metric tonnes, the number of periods to NPP remains the same (7), but only a further three periods are added (6 x 1/2). CP2 is taken out of the formula in calculating the one-half addition.

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