HMRC - OT18020 - PRT Transfer Of Licence Interests - Outline

The provisions governing the PRT consequences of changes in field ownership are contained in FA80\SCH17.

FA80\SCH17\PARA1 refers to the transfer of an interest in a field. The provisions therefore have no application to transfers of licence interests that take place before a field is determined.

A transfer of an interest in an oil field occurs when, as a result of a transaction or event, the whole or part of a participator’s share in the oil to be won and saved becomes the share of someone else who is or becomes a participator. The transferor is known as the ‘old participator’ (OP) and the transferee as the ‘new participator’ (NP) (FA80\SCH17\PARA1(3)).

The legislation specifically excludes the following from the definition of what constitutes the transfer of a field interest:

the making (but not cancellation) of an Illustrative Agreement (OTA75\SCH3\PARA5),

a redetermination (including the redetermination of a transmedian field) under a unitisation agreement, see OT18270.

LB Oil & Gas also does not regard the creation of participation rights by the transfer of a right to oil under OTA75\SCH3\PARA6A (see OT18200) as a transfer within the Schedule.

FA80\SCH17 applies to all transfers of field interests whether they are between affiliated companies or between third parties. The broad principle underlying the provisions is that the new participator stands in the shoes of the old participator. In other words NP inherits the field history of OP on transfer.

However, it does not necessarily follow that the tax paid by OP and NP will be the same as would have been the case had there been no transfer.

Transfer period, FA80\SCH17\PARA1(3)

This subparagraph introduces the term, ‘transfer period’. The ‘transfer period’ is defined as the chargeable period in which the transfer takes place. A transfer at midnight on 31 December (30 June) gives a 2H (1H) transfer period. A transfer at one minute past midnight on I January (1 July) gives a 1H (2H) transfer period.

LB Oil & Gas regard the date a transfer takes place as the date of legal completion.

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