HMRC - OT18510 - PRT Compliance: Risk Factors And Distinctive Features Of The Tax

PRT has some features which have resulted in a distinctive compliance approach. These features include:

The separation of returns (income) and claims (expenditure) processes:

Expenditure is only allowed when agreed with consequent short deadlines for dealing with claims;

Intra group purchases are at cost, not market value;

The dominant role of the Responsible Person (operator) in the joint venture arrangements;

The tax is primarily field, not company, based;

The specialist nature of the tax;

Returns and claims are not audited prior to submission.

The existence of a number of reliefs that effectively exempt participators in small and some medium sized fields from tax. The division between paying and non paying fields was reinforced by the formal exemption of fields given development consent after 16 March 1993.

Infrastructure arrangements resulting in apportionments of expenditure across fields with different tax status.

Oil and gas output from fields with different tax positions is often commingled

The prevalence of non-arms length sales of oil and gas and the need to agree methodologies or prices, with consequent information requirements.

The life cycle nature of the tax - different phases of field life (exploration, development, production, decommissioning) give rise to different technical issues

This guidance reflects the way the PRT team has changed its approach in managing risk to align with the Tax Compliance Risk Management Guidance.

Although the approach to managing risk and the attendant processes have changed, the distinctive features and the underlying perception of what constitutes risk within the regime remain unchanged.

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