HMRC - OT21027 - Disposed Of Or Appropriated

CTA10\S280 +

CTA10\S280 + set out the values to be taken into account for CT ring fence purposes

for oil sold otherwise than at arm’s length, and

the amounts to take into account when oil is sold at arm’s length but the contract price includes transportation costs.

For interactions with transfer pricing legislation, see OT21115.

The valuation of oil for PRT and the CT ring fence is placed on a consistent basis by substituting the statutory market value as finally assessed to PRT in the corporation tax computations for the value of the transactions shown in the company accounts. The legislation starting at CTA10\S280 generally follows the PRT definitions for market value & arm’s length. Market values are agreed by the PRT Section of LBS Oil & Gas.

The Definition of a non-arm’s length transaction

For PRT purposes and therefore for CTA10\S280 + purposes, a non-arm’s length transaction is one which does not satisfy all of the following three conditions set out in OTA75\Sch3(1),

the contract price is the sole consideration for the sale,

the terms of the sale are not affected by any commercial relationship (other than that created by the contract itself) between the seller or any person connected with the seller and the buyer or any person connected with the buyer, and

neither the seller nor any person connected with him has, directly or indirectly, any interest in the subsequent resale or disposal of the oil or any product derived therefrom.

The meaning of ‘connected’ is that set out in CTA10\S1122.

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