HMRC - OT30134 - Work Obligation

Work obligation as a consideration is generally given only during the exploration phase of a licence (see OT30048).

In most situations TCGA92\S194 will apply to treat such consideration as nil. S194 will also apply to disposals on or after 13 September 1995 of overseas licences.

Where TCGA92\S194 does not apply, the value of the consideration is determined by estimating the increase in value of the licence interest retained by the farmer out as a result of the enhanced prospects of getting oil and by having the work performed free of cost.

If there is provision for recovery of the farmer in’s costs from the farmer out in the event of field development, the value of the work obligation right should be reduced by a sum in respect of those costs discounted for time and the probability of field development at the time of the disposal.

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