

INLAND REVENUE

Press Release

9 March 1982

Oil Taxation

In his Budget today, the Chancellor proposes various structural changes in the taxation of oil and gas production. It is proposed that Supplementary Petroleum Duty should be extended by six months only to 31 December 1982; the tax will lapse thereafter. From 1 January 1983 it is proposed that the rate of Petroleum Revenue Tax (PRT) shall be increased from 70 to 75 per cent and a system of Advance payments of PRT introduced.

As from 1 July it is proposed that the bulk of PRT should be collected in monthly instalments.

The Finance Bill will also include technical changes relating to certain sales of gas; the valuation of ethane; the tax consequences of field determinations; the tax treatment of Regional Development Grants paid on assets which qualify for relief against PRT and »ring fence« corporation tax; and the »ring fence« corporation tax rules for relief of certain losses and charges on income.

*Details of structural changes**Supplementary Petroleum Duty (SPD) and Petroleum Revenue Tax (PRT)*

1. SPD, which would otherwise expire on 30 June 1982, will be extended for one more chargeable period to 31 December 1982. Thereafter it will lapse, but the rate of PRT will be increased from 70 to 75 per cent from 1 January 1983.

Advance payments of Petroleum Revenue Tax

2. Oil and gas producers will be required to make advance payments of PRT (APRT) equal to 20 per cent of gross revenues less an oil allowance of 1 million tonnes per year (½ million tonnes per 6 monthly chargeable period). Gross revenues will be computed (as has been the case for SPD purposes) from the value of oil and gas as determined for

PRT. Where the Secretary of State for Energy takes oil or gas as royalty in kind, the gross revenues established for PRT purposes will be scaled up to take account of royalty oil or gas deliveries.

3. Payments of APRT will be set-off as soon as possible in full against liability to PRT which arises under the present rules. Where (eg in the early years of production) no ordinary PRT liability has yet arisen, or where the amount of APRT due exceeds the amount of ordinary PRT due, the APRT not immediately set-off will be carried forward and set-off against future PRT liabilities. In the exceptional event of there being insufficient final liability to PRT over field life to absorb all APRT paid, the excess of APRT will be repaid at the end of field life.

Collection arrangements

4. It is proposed to smooth collection of PRT (including APRT) from 1 July 1983. This will be achieved by collection of 75 per cent of the previous period's liability in six equal monthly instalments. The remaining 25 per cent of liability, adjusted as necessary to account for any fluctuations in liability from one period to the next, will be collected two months after the end of the chargeable period.

5. Interest on overdue APRT will (as for ordinary PRT) run from two months after the end of the chargeable period. Interest on overdue instalments will run from the date the payment falls due.

*Miscellaneous provisions**Arm's length Sales of Gas*

6. Where natural gas liquids (eg propane and butane) are sold abroad at arm's length under terms whereby the seller bears the transportation costs, the existing rules provide for the price received (inclusive of transportation) to be included in the computation of North Sea taxes and royalty; but