

13. The main advantages of the system now proposed over the present regime (including SPD) are:

1. The structure of the tax system remains responsive to oil price changes up and down, while moving in the direction sought by the industry. Coupled with the marginal downward adjustment in Government take, it should ensure that investment in the North Sea remains commercially attractive.
2. It reduces the marginal rate of tax from 90.3 per cent to 89.5 per cent.
3. It improves the post-tax position of incremental investment, thus reducing the risk of worthwhile projects being abandoned on the basis that the tax regime renders them uneconomic.
4. It spreads the collection of tax from the North Sea more evenly throughout the year.

14. Once a field has passed payback, a company's APRT liability will normally be set-off immediately against its ordinary PRT liability. ARPT is therefore simply a means of advancing collection of part of the PRT revenues in the period before PRT would otherwise be payable. The APRT payable during this period will be carried forward and set-off, against PRT liability under the present rules when this arises. In nearly every case full set-off will be achieved within a few years. However, in the exceptional case that APRT cannot be set-off it will be repaid at the end of field life. This contrasts with SPD which is a separate tax, and is deductible in arriving at profits for PRT but cannot be set off against PRT liabilities. (SPD is also only repaid if the field makes an overall loss).

Petroleum revenue Tax - Collection Arrangements

15. PRT is chargeable in half-yearly periods and is currently collected primarily by payment on account due two months after the end of the chargeable period and based on the company's calculation of their liability. Two months after the beginning of the chargeable period to which the payment on account relates, an »advance payment« is required, being 15 per cent of the *previous* period's payment on account (or the assessed liability for the period before that, if greater).

This advance payment is credited against the subsequent payment on account when that falls due. Any necessary balance is collected by assessment two months after the payment on account. SPD is collectible in five instalments (equal to 20 per cent of the company's calculation of their liability for the previous period) payable in each of the five months when PRT is not due.

16. The Chancellor now proposes to spread the collection of PRT (including APRT) by collecting the tax in six monthly instalments. These instalments will be based on 75 per cent of the previous period's liability, with the balance due for the period being collected two months after the end of that period. The change will not be introduced until 1 July 1983 to allow companies time to adjust their own cash flow plans.

17. This instalment pattern produces a more even flow of revenue over the year and also means some advancement of take compared with the present system, thus resulting in some gain to the Exchequer by way of lower interest charges.

10. Oil Taxation

I have spoken of the oil duties: I now turn to the oil-fields. The development of the North Sea has been a story of enterprise and success, which is almost entirely due to the skill and enterprise displayed, and risks accepted, by the private sector. As a nation, we must never forget the great debt we owe to those on the oil rigs and elsewhere, who have been responsible for exploration and development. It is important for them as well as for the British people that the rewards should be fairly shared.

Last year, in the light of the massive increase in oil prices which had occurred in earlier years, we changed the structure of North Sea tax, to make it more responsive to changes in price. At the same time tax revenue from the North Sea was brought forward, with an increase in the total level of taxation. I also invited the industry to suggest better ways of raising the revenue we needed. I am grateful to them, and others who have commented, for their careful and considered response.

As I have mentioned, the current fall in oil prices reduces the revenue the Exchequer