

## Explanatory Note

### Clause 1: Petroleum revenue tax: elections for oil fields to become non-taxable

#### Summary

1. This measure removes the conditions for opting fields out of Petroleum Revenue Tax (PRT) so that opting out can be achieved by a simple election. The measure has effect from 23 November 2016.

#### Details of the clause

2. Subsection 1 amends Schedule 20B of Finance Act 1993 so that the procedure for opting a field out of the PRT regime is changed to a simple election. The election must be made in writing by the responsible person, who must notify HMRC of the election. The election will be deemed to be made on the date that the notification was sent to HMRC, and will have effect for the first chargeable period beginning after it is made. No allowable loss that accrues from that oil field will be an unrelievable field loss. It removes the existing paragraphs 2 to 12 of Schedule 20B.
3. Subsection 2 allows for the legislation to be treated as coming into force on 23 November 2016.

#### Background note

4. Petroleum Revenue Tax (PRT) was permanently zero-rated at the 2016 Budget. However, participators still have to submit returns, which are complex and time-consuming. Many participators find the existing process to opt fields out to be too complex and expensive.
5. This measure has been introduced to reduce administrative burdens for companies in the UK oil and gas industry by making it simpler to opt fields out of the PRT regime. It builds on the Government's support for the UK oil and gas industry and supports HM Revenue and Customs' (HMRC) commitment to reduce administrative burdens for business by £400m by 2019/20.
6. The measure removes the conditions for opting out so that a responsible person for a field can opt out by making an election and notifying HMRC. The election will come into effect from the first chargeable period beginning after the election is made.
7. If you have any questions about this change, or comments on the legislation, please contact Nicola Garrod on 03000 589251 (E-mail: [nicola.garrod@hmrc.gsi.gov.uk](mailto:nicola.garrod@hmrc.gsi.gov.uk)).