Statistics of Government revenues from UK Oil and Gas production

HM Revenue & Customs

Coverage:
United Kingdom

Theme:
The Economy

Released:
June 2018

Next proposed release:
Summer 2019

Frequency of release:
Annually

Media contact:
HMRC Press Office (Business)
03000 585021
03000 585028

Statistical contacts:

Max Rowe-Brown
max.rowe-brown@hmrc.gsi.gov.uk
03000 523125

Responsible statistician:

Iqbal Joomeen
iqbal.joomeen@hmrc.gsi.gov.uk
03000 586260

KAI Direct Business Taxes
HM Revenue and Customs
100 Parliament Street
London
SW1A 2BQ

Website:
Petroleum Revenue Tax and government revenues from UK oil and gas production

Contents | **Page**

Statistics of Government revenues from UK oil and gas production – including related assessment data for fields subject to Petroleum Revenue Tax (PRT).

About these statistics

This is a National Statistics publication produced by HM Revenue and Customs. For more information on National Statistics and governance of statistics produced by public bodies please see the UK Statistics Authority website (www.statisticsauthority.gov.uk).

Key messages

Table 11.11 - Government revenues from UK oil and gas production (updated June 2018)

- As a result of industry reducing costs (expenditure 9% lower than last year) and a recovery in the oil price (which rose 30% over the same period), government revenues in 2017-18 climbed to £1,188 million, from the previous record low of -£350 million in 2016-17.
- PRT revenues were -£569 million (in comparison to -£654 million in 2016-17) as a result of fewer losses being generated and carried back on account of the improved industry profitability from lower costs and higher oil prices.
- Net Corporation Tax (CT) revenues increased by 420% from £338 million in 2016-17 to £1,757 million in 2017-18. Instalment payments of CT increased by £1,074 million from £862 million to £1,936 million; an increase of 125%. Over this period oil prices rose 30% and industry expenditure decreased by 9%, while production remained stable, resulting in a more profitable environment for UK oil and gas production.
- Over the same period, repayments of CT fell from £558 million to £179 million (a decrease of 68%), primarily as a result of fewer new losses being made. Losses (particularly decommissioning losses) can be carried back against historical profits to obtain a repayment of previous tax paid – the more profitable environment means fewer losses, hence lower repayments.

Table 11.12 - Petroleum Revenue Tax assessments (updated June 2018)

- Income (gross profit) from oil and gas extraction was £1,960 million in 2017H2, close to that of 2017H1, which was £1,989.
- Other chargeable receipts – consisting of tariff income and revenues from asset disposals grew by 107% from £166 million in 2017 H1 to £344 million in 2017H2.
- There was a 3% decrease (from £1,330 million to £1,292 million) in field expenditure claimed over the same period. Assessable profits (before oil allowance) increased by 23% between 2017 H1 and 2017 H2, from £743 million to £912 million.
- After oil allowance, PRT assessable profits were £904 million, an increase of £167 million (23%) from the 2017 H1 amount of £737 million.
- With effect from 1 January 2016, the PRT rate was reduced to 0% – therefore there were no PRT payments from this date.

Table 11.13 – Oil and Gas fields with Petroleum Revenue Tax liabilities (updated June 2018)

- For the PRT half year period ending 31 December 2017, there were 49 fields with gross PRT profits above £1 million, of which 19 (39%) had no chargeable profits after taking into account expenditure/brought forward losses and reliefs/allowances. In comparison there were 49 fields in 2017 H1, 21 of which did not have chargeable profits, equating to 43%.

Statistics published by HMRC for UK Oil and Gas sector

1. Name of publication: Table 11.11 Government revenues from UK Oil and Gas production.
   Last published: June 2018
   Next publication date: Summer 2019
   Frequency of publication: Annually

2. Name of publication: Table 11.12 Analysis of Petroleum Revenue Tax assessments.
   Last published: June 2018
   Next proposed publication date: Summer 2019
   Proposed frequency of publication: Annually

3. Name of publication: Table 11.13 Numbers of Oil and Gas fields with different Petroleum Revenue Tax liabilities.
   Last published: June 2018
   Next proposed publication date: Summer 2019
   Proposed frequency of publication: Annually

New or updated statistics in this release

- Table 11.11 was extended by one year to include 2017-18 receipts, with related charts also extended by one year. Revisions have been made to earlier years' figures as tax return data is now available.

- In this June 2018 publication, Tables 11.12 and 11.13 have been updated to include statistics relating to PRT assessments for the half year chargeable period ending 31 December 2017. Small revisions have also been made to previous chargeable periods due to amended assessments issued within the last 6 months.

Proposed changes to the frequency of oil and gas statistical publications

HMRC are consulting users on a proposal to change the frequency of this publication. In summary, the proposals are to:

- Reduce the frequency of publishing Tables 11.12 and 11.13 from twice a year (January and June) to once a year in the summer.

The consultation will close on 31 August 2018. More details are provided on page 19 of this document.

Key contacts for these statistics

Max Rowe-Brown
max.rowe-brown@hmrc.gsi.gov.uk
03000 523125

Section 1

Current UK Oil and Gas Fiscal Regime

The tax regime which applies to exploration and production of oil and gas in the UK and on the United Kingdom Continental Shelf (UKCS) currently comprises three elements:

1. Ring Fence Corporation Tax (RFCT)

This is calculated in the same way as the standard corporation tax applicable to all companies but with the addition of a '*ring fence'* and the availability of *100% first year allowances for virtually all capital expenditure*. The ring fence prevents taxable profits from oil and gas extraction in the UK and UKCS being reduced by losses from other activities or excessive interest payments. The current rate of tax on ring fence profits is 30% and is set separately from the rate of mainstream corporation tax.

2. Supplementary Charge (SC)

This is an additional charge on a company's ring fence profits (but with no deduction for finance costs). With effect from 1 January 2016 the rate is 10%. The rate of SC was 20% between 1 January 2015 and 31 December 2015, and was 32% prior to this[1].

3. Petroleum Revenue Tax (PRT)

This is a field based tax charged on profits arising from oil and gas production from individual oil and gas fields which were given development consent before 16 March 1993. With effect from 1 January 2016, the PRT rate was reduced to 0% (previously the rate was 50%). PRT is a deductible expense in computing profits chargeable to ring fence corporation tax and supplementary charge.

[1] The rate of SC was 20% up until Budget 2011 (24 March 2011) when it increased to 32%

Section 2

Table 11.11: Government revenues from UK oil and gas production

Table information and assessment (updates in June 2018)

Table 11.11 shows historic receipts from all taxes levied on exploration and production activities of oil and gas from the UK and the UK continental shelf. The table covers all years from 1968-69 to 2017-18. The table is supplemented by charts illustrating the changes in receipts from 1984-85 (chart C1) and the trends of oil prices compared with production and expenditure from 1984 (chart C2).

- As a result of cost cutting by industry (reducing expenditure by 9% over the last 12 months) and a recovery in the oil price (which increased by 30% over the same period), government revenues in 2017-18 climbed to £1,188 million, from the previous record low of -£350 million in 2016-17.
- PRT revenues were -£569 million (in comparison to -£654 million in 2016-17) as a result of fewer losses being generated and carried back on account of the improved industry profitability from lower costs and higher oil prices.
- Net Corporation Tax (CT) revenues increased by 478% from £304 million in 2016-17 to £1,757 million in 2017-18. Instalment payments of CT increased by £1,074 million from £862 million to £1,936 million; an increase of 125%. Over this period oil prices rose 30% and industry expenditure decreased by 9%, while production remained stable, resulting in a more profitable environment for UK oil and gas production.
- Over the same period, repayments of CT fell from £558 million to £179 million (a decrease of 68%), primarily as a result of fewer new losses being made. Losses (particularly decommissioning losses) can be carried back against historical profits to obtain a repayment of previous tax paid – the more profitable environment means fewer losses, hence lower repayments.

Changes to statistics in June 2018 release

- Table 11.11 was extended by one year to include 2017-18 receipts, with related charts also extended by one year. Revisions have been made to earlier years figures as tax return data is now available.
- From 2015-16 we are able to provide a more accurate estimate of payments of RFCT and SC as CT payments are reported separately from CT repayments.

T11.11 Government revenues from UK oil and gas production

Amounts: £ million

Year	Total revenues (excluding gas levy)	Offshore Corporation Tax (CT)					Offshore CT receipts net of repayments				Royalty	Supplementary petroleum duty	Petroleum Revenue Tax	Gas levy	
		Net Receipts	Repayments	Payments	Of which:		Total	Of which:							
					RFCT Payments	SC Payments		ACT	RFCT	SC				Gross	Net of CT clawback
1968-69	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-
1969-70	2	-	-	-	-	-	-	-	-	-	2	-	-	-	-
1970-71	5	-	-	-	-	-	2	-	2	-	3	-	-	-	-
1971-72	10	-	-	-	-	-	4	-	4	-	6	-	-	-	-
1972-73	15	-	-	-	-	-	4	-	4	-	11	-	-	-	-
1973-74	15	-	-	-	-	-	3	-	3	-	12	-	-	-	-
1974-75	20	-	-	-	-	-	5	-	5	-	15	-	-	-	-
1975-76	25	-	-	-	-	-	5	-	5	-	20	-	-	-	-
1976-77	81	-	-	-	-	-	10	-	10	-	71	-	-	-	-
1977-78	238	-	-	-	-	-	10	-	10	-	228	-	-	-	-
1978-79	565	-	-	-	-	-	93	40	53	-	289	-	183	-	-
1979-80	2,313	-	-	-	-	-	250	78	172	-	628	-	1,435	-	-
1980-81	3,743	-	-	-	-	-	341	97	244	-	992	-	2,410	-	-
1981-82	6,492	-	-	-	-	-	681	270	411	-	1,396	2,025	2,390	383	383
1982-83	7,822	-	-	-	-	-	521	202	319	-	1,632	2,395	3,274	471	272
1983-84	8,798	-	-	-	-	-	877	430	447	-	1,904	-	6,017	522	277
1984-85	12,035	-	-	-	-	-	2,432	1,244	1,188	-	2,426	-	7,177	500	239
1985-86	11,348	-	-	-	-	-	2,916	1,085	1,831	-	2,057	-	6,375	525	300
1986-87	4,783	-	-	-	-	-	2,676	1,130	1,546	-	919	-	1,188	515	305
1987-88	4,618	-	-	-	-	-	1,298	681	617	-	1,024	-	2,296	502	322
1988-89	3,168	-	-	-	-	-	1,195	685	510	-	602	-	1,371	407	231
1989-90	2,368	-	-	-	-	-	743	495	248	-	575	-	1,050	335	193
1990-91	2,312	-	-	-	-	-	847	363	484	-	605	-	860	291	174
1991-92	979	-	-	-	-	-	638	370	268	-	557	-	(216)	282	182
1992-93	1,305	-	-	-	-	-	682	480	202	-	554	-	69	287	193
1993-94	1,223	-	-	-	-	-	258	219	39	-	606	-	359	240	145
1994-95	1,642	-	-	-	-	-	380	299	81	-	550	-	712	175	96
1995-96	2,289	-	-	-	-	-	766	674	92	-	555	-	968	161	107
1996-97	3,303	-	-	-	-	-	890	460	430	-	684	-	1,729	198	132
1997-98	3,277	-	-	-	-	-	1,779	821	958	-	535	-	963	200	133
1998-99	2,452	-	-	-	-	-	1,605	655	950	-	343	-	504	-	-
1999-2000	2,510	-	-	-	-	-	1,268	120	1,148	-	389	-	853	-	-
2000-01	4,399	-	-	-	-	-	2,329	-	2,329	-	552	-	1,518	-	-
2001-02	5,373	-	-	-	-	-	3,515	-	3,515	-	548	-	1,310	-	-
2002-03	5,054	-	-	-	-	-	3,662	-	3,369	293	434	-	958	-	-
2003-04	4,223	-	-	-	-	-	3,057	-	2,291	766	(13)	-	1,179	-	-
2004-05	5,115	-	-	-	-	-	3,831	-	2,790	1,041	-	-	1,284	-	-
2005-06	9,323	-	-	-	-	-	7,307	-	5,210	2,097	-	-	2,016	-	-
2006-07	8,864	-	-	-	-	-	6,709	-	4,919	1,790	-	-	2,155	-	-
2007-08	7,408	-	-	-	-	-	5,728	-	3,402	2,326	-	-	1,680	-	-
2008-09	12,393	-	-	-	-	-	9,826		5,716	4,110	-	-	2,567	-	-
2009-10	5,921	-	-	-	-	-	4,998	-	2,839	2,159	-	-	923	-	-
2010-11	8,322	-	-	-	-	-	6,864	-	3,810	3,054	-	-	1,458	-	-
2011-12	10,872	-	-	-	-	-	8,840	-	4,714	4,126	-	-	2,032	-	-
2012-13	6,149	-	-	-	-	-	4,412	-	1,916	2,496	-	-	1,737	-	-
2013-14	4,674	-	-	-	-	-	3,556	-	1,665	1,891	-	-	1,118	-	-
2014-15	2,103	-	-	-	-	-	2,026	-	970	1,056	-	-	77	-	-
2015-16	(2)	560	400	960	624	336	560	-	*364*	*196*	-	-	(562)	-	-
2016-17	(350)	304	558	862	715	147	304	-	*252*	*52*	-	-	(654)	-	-
2017-18	1,188	1,757	179	1,936	1,433	503	1,757	-	*1,300*	*457*	-	-	(569)	-	-

Updated September 2018

Footnotes

1. Figures for Corporation Tax for 2016-17 and 2017-18 are provisional and subject to change in the future when payments originally made in respect of a group of companies are subsequently re-allocated to individual companies within the group but which are outside of the ring fence oil and gas regime.

2. From 2015-16, changes were made to the collection of CT receipts data and therefore from this date we are able to disaggregate total net CT between tax payments and repayments.

3. Analysis of tax returns is used to estimate the annual proportional split between Ring-fenced Corporation Tax (RFCT) and Supplementary Charge (SC) and for years until 2015-16 this split is applied to net total CT. From 2015-16 these proportions have been applied to CT payments as this gives a more accurate estimate of the amounts of RFCT paid and SC paid. For illustrative purposes we continue to apply the split to the net CT figure which is shown in *italics.*

4. The table reflects the evolving tax regime for the UK Oil & Gas industry, so there are changes in the types of duties levied throughout the years featured in this table. Some examples of the changes are as follows:
   - Supplementary Petroleum Duty charged for only 2 years in the 1980’s.
   - Royalties abolished in 2002, with some residual repayments made in 2003.
   - Introduction of the CT supplementary charge in 2002.
   - From January 2016, the rate of PRT was permanently set to zero. From this date no PRT payments are due. Companies will continue to carry back losses against earlier years’ profits which may result in a repayment of PRT.

CHART C1
Government revenues from UK oil and gas production (£ million)

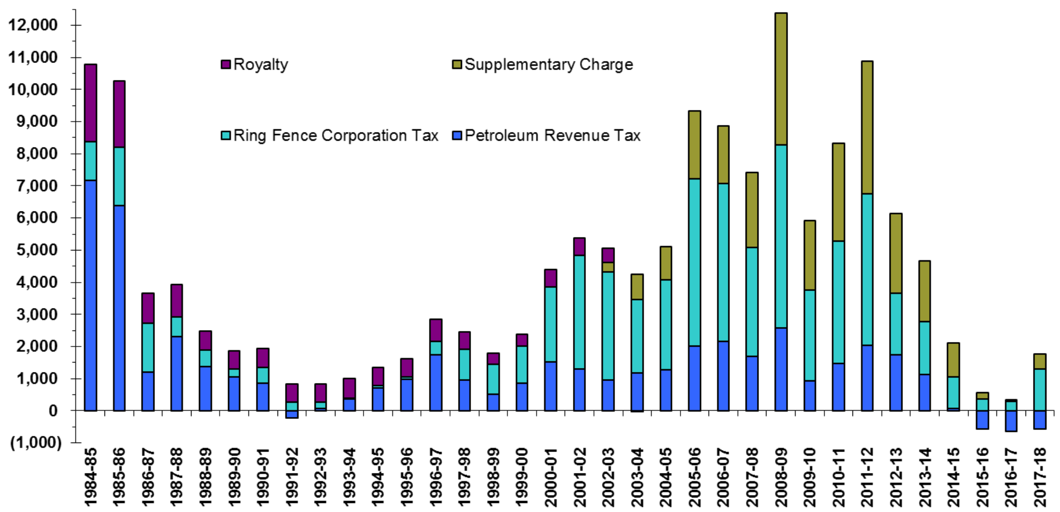
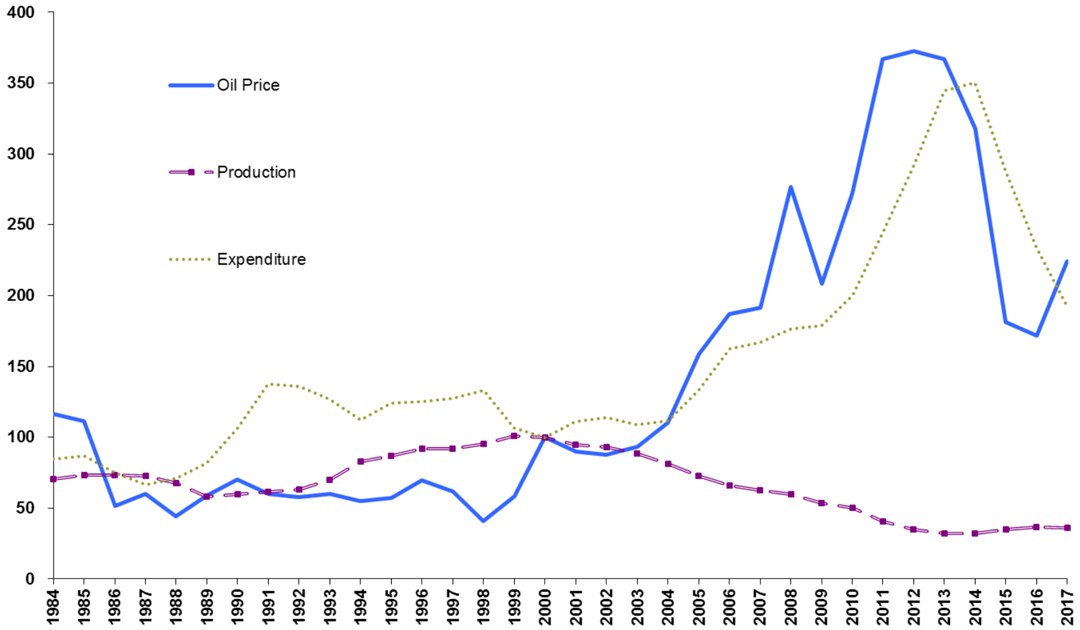


CHART C2
UK oil and gas production, the sterling oil price and total expenditure
Index series based on 2000 = 100



Notes on the Table and Charts (11.11, C1 and C2)
Government revenues from oil and gas production

1. Table 11.11 summarises the tax revenues from oil and gas production in the UK and its continental shelf since 1968-69. The yield from the gas levy is shown in the table, but it is excluded in estimates of the total tax on income from oil and gas production because it is categorised as a tax on expenditure.

2. The Corporation Tax estimates include the mainstream tax and the Advanced Corporation Tax (ACT) set-off against the tax charged. Dividends attributable to UK oil and gas production cannot be separately identified from other dividends and therefore the amount of ACT set-off is estimated.

3. Chart C1 shows the annual tax yield and its separate components since 1984-85. Chart C2 shows three of the main determinants of tax liability: annual production, the sterling oil price, and total expenditure. Each is shown as an index based on 2000 = 100 and the absolute values in 2000 were as follows:

   Production: 215 million tonnes of oil and the energy equivalent of gas (121 million tonnes of oil and natural gas liquids; 94 million tonnes oil equivalent of gas);

   Oil price: £141 per tonne (£18.70 per barrel) averaging over 2000;

   Total expenditure: £7.7 billion of capital, operating and exploration and appraisal expenditure.

4. The tax yield more than halved in 1986-87 because of the comparable fall in the oil price in 1986. Subsequently, it continued to fall as expenditure rose but from 1992-93 to 1996-97, the yield rose steadily in line with rising production and some recovery in oil prices. From 1997-98 to 1999-2000 the yield dropped in line with falling oil prices then rose again as oil prices increased.

5. The yield increased for 2005-06, boosted by a change in the instalment regime for UK Oil & Gas companies, but declined in 2006-07 and 2007-08 as a result of lower production and higher costs. There was a considerable increase in receipts in 2008-09 due to record oil and gas prices, but yield decreased by half in 2009-10 as prices dropped significantly, production declined and expenditure increased. Despite rising expenditure and the continuing falls in production, yield increased in 2010-11 and 2011-12 as prices rose significantly from 2009 levels and Supplementary Charge was increased to 32% from 24th March 2011.

6. The steep increase in oil prices from 2003 through to 2011 served to inflate running costs and release capital for investment so expenditure increased during this period. Although the expenditure increases would have the effect of reducing revenues, this was outweighed by the impact of rising oil prices and the trend of revenues over this period was broadly in line with oil price trends. Since 2012-13, tax revenues have dropped significantly as a result of continued high expenditure (though this has declined from its peak), lower production and falling oil prices.

7. From 2016, the rate of PRT was permanently set to zero and SC was reduced to 10%. These reductions and to a lesser extent the utilisation of the basin wide Investment Allowance (introduced in 2015) resulted in the lowest levels of Government revenues since records began.

8. In response to the shock to the oil price in 2014, expenditure has been decreasing from 2015 to the present. Combined with steady production and a recovery of the oil price, this caused yield to increase significantly in 2017-18, to its highest level in 3 years.

9. Information on the current oil price (Brent crude) is available from Bloomberg.com.

10. Further information about UK Oil & Gas is available from the Oil and Gas Authority

Table 11.12: Analysis of Petroleum Revenue Tax assessments

Table information and assessment (updated January 2018)

The table covers Petroleum Revenue Tax (PRT) assessments raised on companies participating in fields given development consent on or before 16 March 1993 and the participators are charged PRT on chargeable profits made. The assessments are raised for half year accounts periods ending 30 June (H1) and 31 December (H2). The current table covers assessments for the second half of 2011 to the second half of 2017.

HMRC Assessments are completed five months after the end of the chargeable period. Those for 2017 H2 were finalised in May 2018. Where a company has carried back a loss, this can impact receipts from seven months after the end of the chargeable period. Companies have up to four years to submit their loss carry back claim.

Change in 2017 H2 assessments compared with 2017 H1 assessments

- Income (gross profit) from oil and gas extraction was £1,960 million in 2017H2, close to that of 2017H1, which was £1,989.
- Other chargeable receipts – consisting of tariff income and revenues from asset disposals grew by 107% from £166 million in 2017 H1 to £344 million in 2017H2.
- There was a 3% decrease (from £1,330 million to £1,292 million) in field expenditure claimed over the same period. Assessable profits (before oil allowance) increased by 23% between 2017 H2 and 2017 H2, from £743 million to £912 million.
- After oil allowance, PRT assessable profits were £904 million, an increase of £167 million (23%) from the 2017 H1 amount of £737 million.
- With effect from 1 January 2016, the PRT rate was reduced to 0% – therefore there are no PRT payments from this date.

Comparison with previous 12 months

- Comparing the 12 months ending 31 December 2017 with the period ending 31 December 2016, gross profits grew by 14% to £3,949 million largely due higher oil and gas prices
- Field expenditure in the 12 month period ending 31 December 2017 was £2,622 million, the same as the previous 12 months. Over the same period, oil allowance fell by around 76% to £13 million.
- Assessable profits for PRT increased by £345 million (26%) to £1,655 million, mostly due to higher oil and gas prices.
- After oil allowance, profits chargeable to PRT in the 12 months ending 2017 H2 were £1,641 million, an increase of £436 million (36%) compared to the previous 12 month period.

Changes to statistics in June 2018 release

- Data for 2017 H2 has been added to Table 11.12 and data for 2011 H1 has been dropped.
- From this date onwards, we are proposing that statistics in Table 11.12 are updated once a year, in June. Please see the consultation at the end of this document for more information.

Table 11.12 and supporting notes

Amounts: £ million

Six month chargeable period ending	31 Dec 2011	30 Jun 2012	31 Dec 2012	30 Jun 2013	31 Dec 2013	30 Jun 2014	31 Dec 2014	30 Jun 2015	31 Dec 2015	30 Jun 2016	31 Dec 2016	30 Jun 2017	31 Dec 2017
Gross profit	4,907	4,987	4,292	4,587	4,084	3,861	2,935	2,391	1,856	1,642	1,814	1,989	1,960
plus other chargeable receipts	195	178	172	390	149	140	220	169	265	486	152	166	344
less royalties (2)	3	3	2	3	2	3	2	3	2	2	1	1	2
less field expenditure claimed in period	2,465	2,364	2,592	2,637	2,690	2,609	2,506	1,867	1,744	1,302	1,320	1,330	1,292
less cross field reliefs claimed in period (3)	15	59	60	16	5	8	1	11	11	1	2	13	2
less losses brought forward	87	66	45	315	151	149	140	63	11	84	43	68	95
less losses carried back	315	259	109	142	31	211	137	85	19	18	8	0	0
Assessable Profits	2,218	2,415	1,658	1,865	1,354	1,020	370	531	334	718	592	743	912
less cash equivalent of oil allowance	331	364	149	230	181	97	92	58	73	44	10	6	7
Assessable profits after oil allowance	1,887	2,052	1,509	1,635	1,174	922	278	473	261	674	531	737	904
Assessable PRT before safeguard	944	1,026	755	817	587	461	139	236	131	0	0	0	0
reduction due to safeguard restriction	0	0	0	0	0	0	0	0	0	0	0	0	0
Petroleum revenue tax payable	944	1,026	755	817	587	461	139	236	131	0	0	0	0
Memorandum item: Repayment of PRT from carry back of losses made in the period (4):													
Principal	101	88	158	127	264	297	320	227	316	229	276	254	0
Interest	10	11	13	12	0	0	0	0	0	0	0	0	0

Updated June 2018

Footnotes

1. Fields given development approval after 16 March 1993, which are not liable to pay Petroleum Revenue Tax, are excluded from this table.
2. Royalties were abolished from 1 January 2003. The continuing deductions in the assessments relate to licence fees that companies still have to pay BEIS.
3. Consisting of exploration and appraisal relief, cross-field allowance, research relief and relief for unrelieved abandoned field loss.
4. Due to early publication of assessment data for the latest half year period, no repayments have yet been made as a result of losses carried back from this period. The repayments for this period will however be featured in the next publication.

Notes on the table (11.12)

Petroleum Revenue Tax assessments

1. Table 11.12 summarises the assessments of accruals of PRT liabilities so far made for each six month period, from the second half of 2011 to the second half of 2017. Estimated assessments, which may later be revised, are included. They may subsequently change following HMRC tax assessments and because tax relief for losses and decommissioning costs in subsequent years may be deducible against some profits that would otherwise be subject to PRT in these periods.

2. No PRT assessment on a field is made until production commences. At that stage, all expenditure claimed by the companies during the preceding development is taken into account. In general, assessments may be delayed when there is no liability to tax; the table figures do not include allowance for such cases.

3. In the table, the deduction for expenditure is limited to the amounts in assessments required to reduce the assessable profit to nil. Field expenditure (both capital and operating) in the period is distinguished from expenditure claimed under the cross-field reliefs (mainly exploration and appraisal relief). Losses brought forward from earlier periods are not subdivided; they are predominantly from field expenditure, as it is usually inefficient to claim cross-field reliefs before they are effective.

4. As stated above, losses in a period (which are sometimes augmented by use of cross-field reliefs) may be carried back indefinitely to earlier periods to reduce liabilities, leading to tax repayments. In the main part of the table, these losses are attributed to the period to which they were carried back. A memorandum item gives for each period the PRT arising for repayment as a result of losses carried back from the period; it is split between repayments of principal and associated interest. There is thus no simple direct link of PRT paid in each financial year and the amounts shown as payable for each reporting period.

5. For all chargeable periods after December 2015, the rate of PRT is 0%.

Table 11.13: Numbers of oil and gas fields with different Petroleum Revenue Tax liabilities

Table information and assessment (updated June 2018)

The table shows the numbers of fields assessed for petroleum revenue tax with gross profits of over £1 million in a six month chargeable period. The table includes the numbers of fields whose profits are covered by expenditure and allowances and those paying Petroleum Revenue Tax (PRT) at different levels.

Number of fields charged to PRT in 2017 H2

- Although there were 49 fields with gross PRT profits above £1 million, 19 of them (39%) did not pay PRT by virtue of having no chargeable profits after taking into account field expenditure, losses, reliefs and allowances.
- The residual 61% of fields did not pay any PRT by virtue of the tax rate being 0%.

Historical number of fields chargeable and paying PRT

- PRT only applies to fields given development consent before March 1993 and the number of fields with gross profits and other chargeable receipts of over £1 million in the chargeable period assessed for PRT has been generally declining as fields have ceased production.

Changes to statistics in June 2018 release

- Data for 2017 H2 has been added to Table 11.13 and data for 2011 H1 has been dropped
- From this date onwards, we are proposing that statistics in Table 11.13 are updated once a year, in June. Please see the consultation at the end of this document for more information.

Table 11.13 and supporting notes

Numbers: actual; Amounts: £ million

Six month chargeable period ending	31 Dec 2011	30 Jun 2012	31 Dec 2012	30 Jun 2013	31 Dec 2013	30 Jun 2014	31 Dec 2014	30 Jun 2015	31 Dec 2015	30 Jun 2016	31 Dec 2016	30 June 2017	31 Dec 2017
Number of fields where there are no chargeable profits for PRT													
All gross profits covered by expenditure/allowable losses	22	20	27	26	29	30	32	30	36	25	21	21	18
All assessable profits covered by oil allowance and safeguard	19	21	15	15	15	13	8	6	4	3	1	0	1
Total not paying PRT as profits covered either by allowances, expenditure or losses	41	41	42	41	44	43	40	36	40	28	22	21	19
Number of fields with chargeable profits for PRT													
Where the amount of PRT paid by the field is zero as a result of the 0% tax rate	0	0	0	0	0	0	0	0	0	26	26	28	30
Where the amount of PRT paid by the field is under £10 million	8	9	9	5	6	8	15	11	12	0	0	0	0
Where the amount of PRT paid by the field is over £10 million	19	18	17	21	15	12	4	7	5	0	0	0	0
Fields with chargeable profits	27	27	26	26	21	20	19	18	17	26	26	28	30
Total number of fields assessed	68	68	68	67	65	63	59	54	57	54	48	49	49
Amount of PRT payable													
Under £10 million per field	34	36	26	5	15	24	40	18	19	0	0	0	0
Over £10 million per field	910	990	729	812	572	437	99	218	112	0	0	0	0
Total PRT payable	944	1,026	755	817	587	461	139	236	131	0	0	0	0

Updated June 2018

Notes on the table (11.13)

Numbers of oil and gas fields with different Petroleum Revenue Tax liabilities

1. Table 11.13 shows accruals of PRT liabilities for the periods shown. They may subsequently change following HMRC tax assessments and because tax relief for losses and decommissioning costs in subsequent years may be deductible against some profits that would otherwise be subject to PRT in these periods. In this table, the amount of tax for each field is the sum of the amount shown on the assessments for all the companies with an interest in the field. For the more recent periods, the numbers of fields with particular levels of liabilities will be revised as further assessments are made.

2. For all chargeable periods after December 2015, the rate of PRT is 0%.

Section 3

Background Information

Methodology

Table 11.11 is updated from the latest receipts data held on HMRC accounting records and these figures are agreed as a definitive measure of receipts for the HMRC Financial Statements and Accounts. For corporation tax, the initial payment of a large percentage of instalments into the HMRC group payment accounts are recorded as ring fence UK oil and gas receipts, but these figures can be revised when the group payments are distributed between liabilities for participating companies. We are now asking companies to provide details of the proportion of their payments relating to non-ring fence charges so our initial recording of receipts relating to exploration and production operations is more accurate, but there are still likely to be small adjustments when liabilities are finalised. The CT receipts are recorded using a link to the HMRC Corporation Tax system which holds all payment records. There is an ongoing reconciliation of PRT receipts with HMRC Finance department (as recommended by the National Audit Office) to ensure accuracy of recording.

Tables 11.12 and 11.13 data are downloaded from a system which records all PRT assessments raised by HMRC Large Business (LB) - Oil & Gas branch. This source is updated regularly by LB and includes the initial bulk issue assessments raised by LB in May and November and any subsequent amendments.

Statistical quality

The National Audit Office (NAO) undertake a yearly audit of PRT and CT receipts to ensure accurate recording. Recording of PRT receipts by HMRC's analytical directorate KAI is reconciled on a monthly basis with figures produced by HMRC's Finance directorate, as recommended by NAO.

The PRT assessment data for tables 11.12 and 11.13 is provided by LB which are then checked against HMRC accounting systems by KAI.

There is a quality assurance process in place for the output of all tables as the prepared outputs are checked by managers and signed off by senior officials before they are released.

The statistics are consistent with publications released by the ONS, OGA and the OBR.

User engagement

We are committed to providing impartial quality statistics that meet our users' needs. We encourage our users to engage with us so we can improve our official statistics and identify gaps in the statistics that we produce. If you would like to comment on these statistics or have any enquiries please use the statistical contacts provided in this document.

<u>Consultation: Changes to the frequency of oil and gas official statistics</u>

We are seeking views on proposed changes to the frequency of HMRC's official statistics of revenues from oil and gas production and analysis of PRT assessment data. This consultation will run from 9:30am on 29th June 2018 to 11:59 pm on 31st August 2018.

In summary, the proposals are to:

- Reduce the frequency of publishing Tables 11.12 and 11.13 from twice a year (January and June) to once a year in the summer.

Currently an update is made to the oil and gas statistics in June consisting of changes to Table 11.11 (revision to earlier years figures and the inclusion of an additional years data); and new data (relating to the most recent half year period) is added to Table 11.12 and 11.13 . <u>The proposal is that an annual update to Table 11.12 and 11.13 will provide data for two half year periods</u> in addition to the changes to Table 11.11.

This would mean no longer publishing the analysis of PRT assessment every six months. There are no proposed changes to the level of granularity provided in Table 11.12 and 11.13 or showing this detail by chargeable period.

Whilst it is proposed that the frequency of PRT liability statistics is reduced from bi-annual to annual, PRT receipts statistics will remain available monthly from the HMRC website.

To help us to identify users, level of usage and alternative options, please send your comments either by email or by post to:

- iqbal.joomeen@hmrc.gsi.gov.uk
- max.rowe-brown@hmrc.gsi.gov.uk

KAI Direct Business Taxes
HM Revenue & Customs
100 Parliament Street
London
SW1A 2BQ

Please include an indication of the impact level (including nil, minimal and high) that the changes might have. Please also include the purpose that the statistics are used for.

The outcome of the consultation will be published on HMRC's oil and gas web page on or before the 31st October 2018.

Uses of the statistics

HMRC use these statistics to answer parliamentary questions and to inform policy decisions. Our users also use the statistics for media, research and forecasting purposes.

Abbreviations

ACT	Advanced Corporation Tax
BEIS	Department for Business, Energy & Industrial Strategy
CT	Corporation Tax
DECC	Department of Energy and Climate Change
HMRC	HM Revenue & Customs
KAI	Knowledge Analysis and Intelligence (HMRC's analysis directorate)
LB	Large Business (HMRC operational directorate)
NAO	National Audit Office
OBR	Office for Budget Responsibility
OGA	Oil and Gas Authority
OGUK	Oil & Gas UK (industry trade body)
ONS	Office for National Statistics
PRT	Petroleum Revenue Tax
RFCT	Ring Fence Corporation Tax
SC	Supplementary Charge
UKCS	UK Continental Shelf

Glossary of terms

Ring fence	Term used for the boundaries within which the special tax regime for oil and gas exploration and production activity in the UK and UK continental shelf applies.
Royalties	Royalties were broadly levied at 12.5 % of the value of production, less some specific costs, for fields approved before 1st April 1982. Royalties were deductible from gross profits in arriving at profits chargeable to CT and PRT. Royalties were abolished from 1st January 2003. The continuing deductions in the PRT assessments relate to licence fees that companies still have to pay to BEIS.
Cross field reliefs	PRT is a field based tax and these reliefs and allowances can be passed from one field to another in certain circumstances.
Safeguard restriction	Safeguard deduction is aimed at ensuring marginal fields remain profitable. It does this by restricting the amount of PRT payable by a company for their share in a field in a chargeable period if the effect of the PRT would be to reduce after-tax profit below a minimum return on investment in the field. Safeguard is only available for a limited number of periods, so this is why the restriction has decreased to nil in recent years.

Cash equivalent of
Oil allowance

The oil allowance featured in table 11.12 is referred to in terms of cash equivalent as the allowance itself is calculated in terms of a free slice of production (in million tonnes), so the deduction in the table is the cash value of that free slice of production.

Development
Approval

BEIS approve and issue licences for companies to operate fields in the UK and UK continental shelf. More information about licences can be obtained from the licensing section of the BEIS website: Oil and gas - Licensing - GOV.UK

Advanced
Corporation Tax

Component of Corporation Tax levied on dividend payments. ACT was abolished in 1999.

Decommissioning of UK oil and gas infrastructure

The Oil Taxation Act 1975 allows participators in an oil and gas field liable to PRT to carry-back losses almost indefinitely against profits it has previously made from the field, or which previous participators in the field had made. This may result in the repayment of tax. With respect to Offshore Corporation Tax (comprised of RFCT and SC) the Corporation Tax Act 2010 allows for a company's decommissioning loss to be carried back against its own historical profits dating back to April 2002. Again, this may result in a repayment of tax.

Exchequer liabilities from decommissioning

The total industry costs between 2018-19 and 2062-63 for decommissioning all UKCS oil and gas infrastructure is £64 billion[2] as measured in nominal prices and with discounting. The total projected Exchequer cost of tax relief from this expenditure is £24 billion. This is comprised of tax repayments as well as a reduction in Offshore Corporation Tax due as decommissioning costs reduces company profits.

Useful links

Oil and Gas Authority **(GOV.UK)**
UK Statistics Authority **(GOV.UK)**
Oil & Gas UK **(industry trade body)**

[2] When measured in 2017 prices and without discounting, the OGA estimate the costs of UKCS decommissioning of £58.3 billion.