

PART 1

OIL AND GAS: LEVY ON EXCEPTIONAL REVENUES

1 Charge on exceptional oil or gas revenues

- (1) Where a company that carries on a ring fence trade has –
 - (a) exceptional oil revenues for an accounting period of the company, or
 - (b) exceptional gas revenues for that accounting period,a sum equal to 35% of those revenues is to be charged on the company as if it were an amount of corporation tax chargeable on it.
- (2) The charge is referred to in this Part as the “oil and gas revenue levy”.
- (3) A company –
 - (a) has exceptional oil revenues for an accounting period if, for any of the levy periods (see section 2) in that accounting period it has exceptional oil revenues, and
 - (b) has exceptional gas revenues for an accounting period if, for any of the levy periods in that accounting period it has exceptional gas revenues.
- (4) And the amount of exceptional oil revenues and exceptional gas revenues a company has for an accounting period is –
 - (a) the sum of the exceptional oil revenues for each levy period in that accounting period in which it has exceptional oil revenues (if any), and
 - (b) the sum of the exceptional gas revenues for each levy period in that accounting period in which it has exceptional gas revenues (if any).
- (5) Take the following steps to determine if a company has exceptional oil revenues for a levy period and (if so) the amount of those exceptional revenues –

Step 1 (determine oil revenues)

Determine the amount of the oil revenues of the company for the levy period in accordance with section 3.

Step 2 (make hedging adjustment)

Determine the oil hedging adjustment amount for that period in accordance with section 4 and –

- (a) if it is a positive adjustment amount, increase the result of Step 1 by the oil hedging adjustment amount, or
- (b) if it is a negative adjustment amount, reduce the result of Step 1 by that amount.

Step 3 (determine the maximum amount of revenue that would not be exceptional)

Multiply the amount of oil (expressed in barrels) disposed of that relates to those revenues by the reference price for oil for that period (see section 5 which determines an annual reference price and section 6 which applies it to a levy period).

Step 4 (determine amount of exceptional oil revenues)

Subtract the result of Step 3 from the result of Step 2.

If the result of this Step is nil or less, the company does not have any exceptional oil revenues for that period.

If the result of this Step is more than nil, carry on to Step 5.

Step 5 (final determination of exceptional oil revenues)

Where the result of Step 4 is more than nil, the amount of exceptional oil revenues for that period is that result (which will be in US dollars) translated to sterling by reference to the average exchange rate for the levy period.

- (6) Exceptional gas revenues of a company are to be determined the same way, but as if in subsection (5) –
 - (a) every reference to oil were to gas,
 - (b) the reference to barrels were to therms, and
 - (c) in Step 5, the words from “(which” to the end were omitted (because exceptional gas revenues are calculated in sterling) .
- (7) In accordance with section 7, the charging of the levy as if it were an amount of corporation tax is to be taken as applying all enactments applying generally to corporation tax.

2 Levy periods

For the purposes of this Part, a levy period in relation to a company means each of the following –

- (a) every complete calendar month in an accounting period of the company,
- (b) in the case of an accounting period that does not commence on the first day of a calendar month, the period –
 - (i) beginning with the first day of the accounting period, and
 - (ii) ending with the day before the first day of the first complete calendar month in that accounting period, and
- (c) in the case of an accounting period that does not end with the last day of a calendar month, the period –
 - (i) beginning with the day after the last day of the final complete calendar month in that accounting period, and
 - (ii) ending with the last day of the accounting period.

3 Determination of oil or gas revenues

- (1) The oil revenues of a company for a levy period are the amount of receipts of the company it is fair and reasonable to attribute to disposals of oil by the company in that period in the course of carrying on a ring fence trade.
- (2) The gas revenues of a company for a levy period are the amount of receipts of the company it is fair and reasonable to attribute to disposals of gas by the company in that period in the course of carrying on a ring fence trade.

- (3) The same basis of attribution under subsection (1) or (2) must be used for each levy period (in whichever accounting period it falls).
- (4) For the purposes of attributing revenues under subsection (1) or (2) ignore any arrangements under which a person other than the company is entitled to any portion of the receipts of the company in respect of the disposal of oil or gas.
- (5) Where a receipt arises as a result of a disposal that is not a sale at arm's length, as defined in paragraph 1 of Schedule 3 to OTA 1975, that receipt is to be treated as being in the amount of the market value of the oil or gas.
- (6) Paragraphs 2 and 3A of that Schedule apply for the purposes of determining the market value of oil or gas as they apply for the purposes of Part 1 of OTA 1975 but as if—
 - (a) any reference in paragraph 2 to the notional delivery day for the actual oil were to the day on which the oil is disposed of by the company, and
 - (b) paragraph 2(4) were omitted.
- (7) Oil revenues and gas revenues are to be expressed in the appropriate currency.
- (8) For that purpose, where any receipt to be attributed to the company is not in the appropriate currency, it must be translated into that currency.
- (9) The translation must be made by reference to—
 - (a) the average exchange rate for the levy period, or
 - (b) the rate mentioned in subsection (10).
- (10) That rate is—
 - (a) if the amount to be translated relates to a single transaction, an appropriate spot rate of exchange for the transaction, or
 - (b) if the amount to be translated relates to more than one transaction, a rate of exchange derived on a just and reasonable basis from appropriate spot rates of exchange for those transactions.
- (11) For the purposes of this Part, the appropriate currency is—
 - (a) in relation to the determination of exceptional oil revenues, US dollars, and
 - (b) in relation to the determination of exceptional gas revenues, sterling.

4 Hedging adjustments

- (1) The oil hedging adjustment amount for a levy period of a company is the amount by which it is fair and reasonable to suppose the actual revenue in respect of disposals of oil by the company in that period is—
 - (a) increased (in which case it is a positive adjustment amount), or
 - (b) decreased (in which case it is a negative adjustment amount),as a result of payments and receipts under arrangements whose principal purpose is to act as a hedge of the exposure to changes in the price of oil.

- (2) The gas hedging adjustment amount for a levy period of a company is the amount by which it is fair and reasonable to suppose the actual revenue in respect of disposals of gas by the company in that period is –
 - (a) increased (in which case it is a positive adjustment amount), or
 - (b) decreased (in which case it is a negative adjustment amount),as a result of payments and receipts under arrangements whose principal purpose is to act as a hedge of the exposure to changes in the price of gas.
- (3) The arrangements referred to in subsections (1) and (2) may include arrangements comprising, or that include the use of, options, futures and contracts for difference (within the meaning of Part 7 of CTA 2009).
- (4) The same basis for determining –
 - (a) oil hedging adjustment amounts, or
 - (b) gas hedging adjustment amounts,must be used for each levy period (in whichever accounting period it falls).
- (5) Hedging adjustment amounts are to be expressed in the appropriate currency.
- (6) For that purpose, where any payment or receipt taken account of in determining a hedging adjustment amount for a levy period is not in the appropriate currency, it must be translated into that currency.
- (7) Subsections (9) and (10) of section 3 (basis of currency translation) apply for the purposes of the translation required by subsection (6) of this section as they apply for the purposes of subsection (8) of that section.

5 Annual reference prices

- (1) The reference price for oil for the financial year ending in 2027 is \$90 per barrel.
- (2) The reference price for oil for any subsequent financial year is the reference price for oil for the previous financial year –
 - (a) increased or decreased by the same percentage as the consumer prices index for the December in that previous financial year has increased or decreased from that index for the December before that previous financial year, and
 - (b) rounded to the nearest cent.
- (3) The reference price for gas for the financial year ending in 2027 is £0.90 per therm.
- (4) The reference price for gas for any subsequent financial year is the reference price for gas for the previous financial year –
 - (a) increased or decreased by the same percentage as the consumer prices index for the December in that previous financial year has increased or decreased from that index for the December before that previous financial year, and
 - (b) rounded to the nearest penny.

- (5) Before the commencement of each relevant financial year, His Majesty's Revenue and Customs must, in such manner as they consider appropriate, publish—
- (a) the reference price for oil for that financial year, and
 - (b) the reference price for gas for that financial year.
- A financial year is “relevant” if it is a financial year after the financial year ending in 2027.

6 Reference prices for levy periods

- (1) The reference price for oil for a levy period is the reference price for the financial year in which the last day of that period falls.
- (2) The reference price for gas for a levy period is the reference price for the financial year in which the last day of that period falls.

7 Application of corporation tax provisions

- (1) The provisions of section 1(1) relating to the charging of a sum as if it were an amount of corporation tax are to be taken as applying all enactments applying generally to corporation tax.
- (2) But this is subject to—
 - (a) the provisions of the Corporation Tax Acts,
 - (b) any necessary modifications, and
 - (c) subsection (5).
- (3) The enactments mentioned in subsection (1) include—
 - (a) those relating to returns of information and the supply of accounts, statements and reports,
 - (b) those relating to the assessing, collecting and receiving of corporation tax,
 - (c) those conferring or regulating a right of appeal, and
 - (d) those concerning administration, penalties, interest on unpaid tax and priority of tax in cases of insolvency under the law of any part of the United Kingdom.
- (4) Accordingly—
 - (a) TMA 1970 is to have effect as if any reference to corporation tax included a sum chargeable on a company under section 1(1) as if it were an amount of corporation tax, and
 - (b) the enactments referred to in subsection (3)(a) to (d) apply for the purposes of the oil and gas revenue levy subject to any modifications necessary to take account of the provision made by this Part,but nothing in this subsection is to be taken to limit subsections (1) to (3).
- (5) In the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999 (SI 1999/358) or any further regulations made under section 32 of FA 1998 (unrelieved surplus advance corporation tax), references

to corporation tax do not include a sum chargeable on a company under section 1(1) as if it were corporation tax.

8 Requirement to provide information about payments

- (1) This section applies if—
 - (a) the oil and gas revenue levy is chargeable on a company (“the chargeable company”) for an accounting period, and
 - (b) a payment is made (whether or not by the company) that is wholly or partly in respect of the levy.
- (2) The responsible company must give notice to an officer of Revenue and Customs, on or before the date the payment is made, of the amount of the payment that is in respect of the oil and gas revenue levy.
- (3) The “responsible company” is—
 - (a) in a case where the chargeable company is party to relevant group payment arrangements, the company that is, under those arrangements, to discharge the liability of the chargeable company to pay the levy for the accounting period, and
 - (b) in any other case, the chargeable company.
- (4) “Relevant group payment arrangements” means arrangements under section 59F(1) of TMA 1970 (arrangements for paying corporation tax on behalf of group members) that relate to the accounting period.
- (5) The requirement in subsection (2) is to be treated, for the purposes of Part 7 of Schedule 36 to FA 2008 (information and inspection powers: penalties), as a requirement in an information notice.
- (6) This section is subject to any provision to the contrary in regulations under section 59E of TMA 1970 (further provision as to when corporation tax is due and payable).

9 No deduction for oil and gas revenue levy

- (1) In calculating profits or losses for tax purposes—
 - (a) no deduction is allowed in respect of the oil and gas revenue levy, and
 - (b) no account is to be taken of any amount which is paid by a person to another person for the purposes of meeting or reimbursing the cost of the oil and gas revenue levy.
- (2) “Tax purposes” means for the purposes of—
 - (a) corporation tax (including for the purposes of the supplementary charge in respect of ring fence trades);
 - (b) income tax;
 - (c) petroleum revenue tax.

10 Interpretation

- (1) In this Part –
 - “consumer prices index” means the all items consumer prices index published by the Statistics Board;
 - “gas” means anything falling within the definition of light gases given by section 12(1) of OTA 1975;
 - “hedging adjustment amount” means an oil hedging adjustment amount or a gas hedging adjustment amount;
 - “the Instalment Payments Regulations 1998” means the Corporation Tax (Instalment Payments) Regulations 1998 (SI 1998/3175);
 - “oil” means anything that is oil for the purposes of Part 8 of CTA 2010 (see section 278), other than gas;
 - “ring fence trade” has the same meaning as in that Part (see section 277).
- (2) Where an amount of oil is disposed of by reference to any unit other than barrels, this Part has effect in relation to that amount as if references to barrel were to barrel of oil equivalent, and the translation between the two is to be made on a fair and reasonable basis.
- (3) Where an amount of gas is disposed of by reference to any unit other than therms, the amount is to be translated to therms on a fair and reasonable basis.

11 Repeal of the Energy (Oil and Gas) Profits Levy Act 2022.

- (1) The Energy (Oil and Gas) Profits Levy Act 2022 is repealed.
- (2) That repeal comes into force on the day after the energy profits levy cessation date.
- (3) But that Act continues to have effect for the purposes of any accounting period of a company that is a straddling period for the purposes of section 16 of that Act.
- (4) The “energy profits levy cessation date” means the earlier of –
 - (a) 31 March 2030, and
 - (b) if at any time an earlier date is specified in section 1(3)(b) of the Energy (Oil and Gas) Profits Levy Act 2022, that date.

12 Consequential amendments

- (1) In TMA 1970 –
 - (a) in section 59E (further provision as to when corporation tax is due and payable), in subsection (11)(f), for “section 1 of the Energy (Oil and Gas) Profits Levy Act 2022” substitute “section 1 of the Finance Act 2027 (oil and gas revenue levy)”, and
 - (b) in section 59F (arrangements for paying corporation tax on behalf of group members), in subsection (6)(e), for “section 1 of the Energy (Oil

and Gas) Profits Levy Act 2022” substitute “section 1 of the Finance Act 2027 (oil and gas revenue levy)”.

- (2) In Schedule 18 to FA 1998 (company tax returns, assessments and related matters) –

- (a) in paragraph 1 (meaning of “tax”), for “section 1 of the Energy (Oil and Gas) Profits Levy Act 2022” substitute “section 1(1) of the Finance Act 2027 (oil and gas revenue levy)”, and
- (b) for paragraph 7B (and the italic heading before it) substitute –

“Oil and gas revenue levy

7B A company which has exceptional oil revenues or exceptional gas revenues (within the meaning of Part 1 of the Finance Act 2027) for an accounting period must include a statement of the amount of those revenues in its company tax return for that period.”, and

- (c) in paragraph 8(1) (calculation of tax payable), in the Third Step, for “section 1 of the Energy (Oil and Gas) Profits Levy Act 2022” substitute “section 1 of the Finance Act 2027 (oil and gas revenue levy)”.

- (3) In the Instalment Payments Regulations 1998 –

- (a) in regulation 3 (large and very large companies), in paragraph (9), omit “and apart from the provision made by the Energy (Oil and Gas) Profits Levy Act 2022”,
- (b) in regulation 5AZB, in the heading, for “levy profits” substitute “exceptional oil or gas revenues”,
- (c) in regulation 5A (ring fence profits) –
 - (i) in the heading, for “and adjusted ring fence profits” substitute “, adjusted ring fence profits and exceptional oil or gas revenues”,
 - (ii) in paragraph (1), for “energy (oil and gas) profits levy” substitute “oil and gas revenue levy”,
 - (iii) in that paragraph, for “and levy profits” substitute “, exceptional oil revenues and exceptional gas revenues”,
 - (iv) in paragraph (9) after the definition of “the appropriate decimal” insert –

““exceptional gas revenues”, “exceptional oil revenues” and “oil and gas revenue levy” have the meanings they have in Part 1 of the Finance Act 2027;”, and

- (v) omit the definitions of “energy (oil and gas) profits levy” and “levy profits”.

- (4) In section 270 of CTA 2010 (overview of Part 8: oil activities), in subsection (1), for the words from “the”, in the second place it occurs, to the end substitute “Part 1 of FA 2027 (which imposes a tax on exceptional oil and gas revenues).”

- (5) In section 80 of FA 2013, in subsection (4A), after “levy” insert “or the oil and gas revenue levy”.

13 Commencement

- (1) This Part, other than section 11, has effect for accounting periods beginning on or after the day after the energy profits levy cessation date.
- (2) But in the case of an accounting period (a “straddling period”) beginning on or before the energy profits levy cessation date and ending after that date, this Part (other than section 11) is to apply as if –
 - (a) so much of the straddling period as falls on or before that date, and
 - (b) so much of the straddling period as falls after that date,were separate accounting periods.
- (3) In the case of a straddling period, the Instalment Payments Regulations 1998 are to apply separately –
 - (a) in relation to the oil and gas revenue levy, and
 - (b) in relation to any other tax chargeable on the company.
- (4) In their application as a result of subsection (3)(a), the Instalment Payments Regulations 1998 are to have effect in relation to the oil and gas revenue levy as if –
 - (a) the deemed accounting period described in subsection (2)(b) were an accounting period for the purposes of those Regulations, and
 - (b) the oil and gas revenue levy were chargeable for that period.
- (5) Any reference in the Instalment Payments Regulations 1998 to the total liability of a company is accordingly to be read –
 - (a) in their application as a result of subsection (3)(a), as a reference to the oil and gas revenue levy, and
 - (b) in their application as a result of subsection (3)(b), as a reference to the amount that would be the company’s total liability for the straddling period if the oil and gas revenue levy were left out of account.
- (6) For the purposes of the Instalment Payments Regulations 1998 a company is to be regarded as a large company as respects a deemed accounting period under subsection (2) only if it is a large company for those purposes as respects the straddling period.