

Oil and Gas Industry Direct Tax Forum: Notes of Meeting Monday 23 September 2013

Industry

Tim Murrills	(TM)	UKOITC (Chair)/ExxonMobil
Rebecca Haley	(RH)	UKOITC (Secretary)/ExxonMobil
John Adamson	(JA)	Inpex
Kazuhiko Watanabe	(KW)	Inpex
Sally Carroll	(SC)	Petrofac
Jenny Doak	(JD)	Vinson & Elkins
Dan Espie	(DE)	Total
David Fletcher	(DF)	EnQuest
Carolyn Garner	(GG)	DONG Energy
Phil Greatrex	(PG)	Brindex/CW Energy
Rob Hodges	(RH)	EY
Andrew Lister	(AL)	KPMG
Mike Manderson	(MM)	Talisman-Sinopec
Claire Ralph	(CR)	OGUK
Carolyn Sarrau	(CS)	Brindex/Fairfield
Chris Waterton	(CW)	Centrica
Roman Webber	(RW)	Deloitte

HMG

Alan Tume	(AT)	HMRC: LBS Oil & Gas
Diane Williams	(DW)	HMRC: LBS Oil & Gas
Andrew Hoar	(AH)	HMRC: LBS Oil & Gas
Russell Malloch	(RM)	HMRC: LBS Oil & Gas
Tony Chanter	(TC)	HMRC: LBS Oil & Gas
Ray Daly	(RD)	HMRC: LBS Oil & Gas
Vinay Jain	(VJ)	HMRC: LBS Oil & Gas
Paul Philip	(PP)	HMRC: LBS Oil & Gas
Clare Dunne	(CD)	HMRC: CTISA, CT and Business Income Tax
Sarah Radford	(SR)	HMRC: Personal Tax Product and Process
Mike Earp	(ME)	DECC
Laura Kiddoo	(LK)	HM Treasury
Nico Heslop	(NH)	HM Treasury
Stuart Gregory	(SG)	HM Treasury

Apologies

1. **Minutes of last meeting, apologies, matters arising and action points**
The minutes of the meeting held on 14 May were agreed and action points reviewed.

2. **Oil and Gas: Tax Policy**

- i. Fiscal Forum

NH reported that he believed the Offshore Europe event had gone well from both an industry and a Government perspective. A few issues raised in connection with the event were highlighted:

- reference was made to the process for claiming the Brown Field Allowance (BFA), the revised guidance that had been issued and the remaining minor issues that still needed to be resolved
- a more significant BFA issue that will be considered is how the BFA process might become more responsive and align on a real time basis with projects

- possible further development of the HPHT field allowance. HMT are happy to consider and discuss on the basis of available evidence and a recognition of the timescales that would be involved if any changes were ultimately agreed by Ministers
- industry was currently considering an EOR issue and would bring this to HMG for consideration in due course

ii. Decommissioning Certainty including the signing process

The hard work and productive collaboration between industry and Government in achieving decommissioning certainty was acknowledged by the meeting.

The final version of the decommissioning relief deed (deed) had been circulated and guidance had been sent to the first batch of 15 to 20 companies who had applied to sign up to the deed. HMT will process the applications with a view to arranging signature of the deeds around mid October. NH emphasised that the process was new and that feedback from companies on the process (including PRT certificates) and the guidance provided would be welcomed.

HMT confirmed that further batches of deed applications would be processed and signed after October. HMT acknowledged the point made by industry that companies might not be able to move to post-tax arrangements until the deeds submitted by all relevant current and previous participators had been processed and signed.

iii. Brown Field Allowance

TC thanked industry for the responses that had been received to the latest version of the Statutory Instrument (SI) that had been circulated. The responses had been considered and the Office of the Parliamentary Counsel had been able to adopt a couple of the suggestions that had been made.

It was anticipated that the SI would be laid before the House of Commons shortly after 8 October. HMRC would produce guidance to complement the DECC guidance that had recently been updated.

OGUK indicated that they were considering a couple of issues relating to guidance and would bring these forward shortly.

iv. Field Allowances

The only point to note under this heading was the draft changes to the field allowance guidance in the Oil Taxation Manual which had been sent to and agreed with industry.

v. Shale Gas

LK reported that there was not a great deal to provide an update on. The informal consultation period had ended and Government was very grateful for all the responses that had been received.

LK anticipated that there would be a couple more meetings with industry stakeholders in the run up to Autumn Statement the outcomes of which would feed into deliberations on the development of proposals for Ring Fence Expenditure Supplement and the definition of capital expenditure in relation to the proposed Pad Allowance.

LK asked for any further queries or points to be referred to her.

- vi. EITI (Extractive Industries Transparency Initiative)
AT explained that policy responsibility for this piece of work within HMRC had now moved to LBS Oil & Gas. The work will be taken forward by Carolinn Booth and AT will be a member of the high level board overseeing EITI work. In addition LK and ME will attend high level board meetings and the multi-stakeholder group (MSG) meetings.

The first meeting of the MSG will take place on 10 October.

CR indicated that there had been a number of difficulties associated with organisation and process. NH acknowledged the point and the importance that everything was run as quickly and as smoothly as possible. HMRC/HMT confirmed they were happy to pick up and take forward particular issues as they arose

- vii. Offshore employment intermediaries
SR provided industry with an update on the proposals to strengthen obligations to ensure that the correct amount of income tax and national insurance contributions are paid by offshore employment intermediaries.

The updated proposals include a revision in response to industry concerns that the original proposals were overly complex. There was discussion around the revised proposals and industry said their dedicated working group would consider them further.

HMRC confirmed that it would be happy to further discuss how the practicalities of the revised proposal will work.

- viii. Small Profits Rate
PP explained that the email he had sent to industry rep bodies earlier in the month outlined a proposal to simplify the computation of marginal relief which HMRC believes will benefit companies.

PP and LK made it clear that HMRC were initially just seeking views informally and that the proposal does not involve any changes to the threshold at which companies are charged the main rate. The proposal only relates to the anti-fragmentation aspect of the calculation of marginal relief.

Industry indicated that it was broadly content with the proposal and said it would be reviewed further at a UKOITC meeting scheduled for 24 September. Any points arising from that meeting would be reported back to HMRC.

3. Oil and Gas Operational issues

i. HMRC Update

AT reported a number of changes:

- the sector has two new CRMs Andrew Donaldson and Balraj Singh who were returning to LBS Oil & Gas
- Ray Daly was moving over to lead the PRT Team
- Carolinn Booth was taking the policy role for EITI
- the numbers within LBS Oil & Gas were remaining stable at 80
- some more staff were being recruited for risk assessment roles. There would be 90 across HMRC as a whole and a few of these would be joining LBS Oil & Gas
- Natalie Reeder was joining the Policy Team for 12 months

- ii. Local Compliance Issues
RM had nothing to report and was happy to pick up any issues industry might have.

There are currently no issues to raise.

4. Oil and Gas: Technical Issues

- i. Gas Valuation Project
AT outlined the background to the project and reminded the meeting that the option of using published values for gas was still on the table.

RD reported that the deadline for information that had been requested from companies producing and selling gas had been extended to the end of September. The next steps would be to discuss and consider this information with all the companies to determine whether there appeared to be any inconsistencies in valuation methodologies that might need to be addressed.

Loss Buying TAAR

- ii. Industry referred to the concerns they had raised about the impact of the TAAR in relation to pre-trading E&A activities, and the risk it posed to investment in the UKCS by new entrant companies.

HMRC/HMT acknowledged the concerns that had been raised and would be responding shortly

5. 2013 Conference Arrangements for 21st November

UKOITC and HMRC confirmed that arrangements were in hand and well advanced.

6. AOB

- i. Next meeting
It was agreed to hold the next meeting on Monday 3 February 2014 between 3pm and 5pm at Bush House - Room G28.
- ii. HMRC 03000 telephone numbers
AT agreed to consider industry's request to provide them with a list of the names of relevant LBS Oil and Gas personnel and their telephone numbers.