

Oil and Gas Industry Direct Tax Forum: Notes of Meeting Monday 3rd February 2014

Attendees:	
Alan Tume (HMRC) Carol Lunney (HMRC) Andrew Hoar (HMRC) Diane Williams (HMRC) Tony Chanter (HMRC) Anne Hurdman (HMRC) Ray Daly (HMRC) Carolinn Booth (HMRC) Natalie Reeder (HMRC) Laura Kiddoo (HMT) Mike Earp (DECC)	Tim Murrills (UKOITC Chair) Rebecca Haley (UKOITC Secretary) Mike Manderson (Talisman-Sinopec) Andrew Enever (Shell) Graham Metcalf (Shell) Ksenia Kourbatova (Shell) Alistair Levine (BP) Phil Greatrex (CW Energy) Carolyn Garner (DONG Energy) Simon Gell (JX Nippon) Simon Kelsey (CNR International) Roman Webber (Deloitte) Michael Thompson (V&E) Andrew Lister (KPMG) Chris Waterton (Centrica) David Fletcher (EnQuest) Neil Strathdee (EY) Tom Cartwright (Pinsent Masons) Carolyn Sarrau (Fairfield) Dan Espie (Total)

1. Minutes of last meeting, apologies, matters arising and Action Points

1.1 It was agreed that there were no action points arising from the last meeting.

2. Oil & Gas Policy

2.1 PRT certificates

2.2 Industry advised that the PRT certificates were not as expected or agreed. The example certificate previously agreed between Industry and HMRC contained much more detail. Industry advised that they would not be able to calculate the PRT relief available to current participators in all cases using the format of the PRT certificate provided by HMRC and would need to be able to verify the figure being reported by HMRC; if they do not have a breakdown they cannot ensure that HMRC has provided the correct figure.

2.3 HMRC advised that there are stringent legal restrictions on disclosure of taxpayer information and it could be a criminal offence where information is shared unlawfully. The certificates do specify the reference amount and it was unclear why Industry would require anything further. As far as HMRC was

aware, the total reference amount provided was sufficient for most companies and only a small number of companies were looking for more information.

- 2.4 Industry questioned why this concern was being raised at this point given that Government counsel and HMRC had agreed to provide this information. The calculation of the post-tax security used in the Industry Standard PRT Decommissioning Security Agreement was structured on the basis that the PRT Certificate would be provided in the format agreed.

It was suggested that other participators could give consent to disclose information if further detail is needed. TM suggested that by signing the Decommissioning Relief Deed, a participator had implicitly already provided consent to HMRC to provide PRT information to other participators.

HMRC confirmed they would review and discuss the legal disclosure issues further and look into why the original format of the PRT certificate had been suggested. It was also agreed that HMRC and Industry representatives would get together to see if a solution could be found that was acceptable to all.

- 2.5 It was agreed that Industry would consider the option of providing consent to HMRC for field information to be shared with other participators/past participators.
- 2.6 Decommissioning
- 2.7 HMT advised that the Minister will be reporting to Parliament on the success of decommissioning in March / April.
- 2.8 Autumn Statement measures
- 2.9 It was noted that the window for comments on the published draft legislation closes on 5 February. HMRC requested that written responses are received as soon as possible.
- 2.10 In particular HMRC are aware that the Industry view is that the proposed Reinvestment Relief legislation does not work quite as intended and it would therefore be helpful to have the written analysis. Subsequently, further information was provided by UKOITC and BRINDEX members.
- 2.12 On the possible options for reducing the impact of the FA13 loss buying rules on oil and gas exploration and appraisal, discussions are continuing between Government and BRINDEX. It was agreed that HMT would write up a summary of the current options being looked at to share with UKOITC.
- 2.13 HMRC advised that draft legislation will not now be published on bareboat chartering. Instead, a more detailed note on the proposed measure will be issued after the meeting. This will mark the start of a 4 week informal consultation; as part of this Government will be seeking written responses and will also be holding a series of meetings. On the process, Industry advised that OGUK will be the focal point for making arrangements for meetings with producers. On the substance, Industry advised that the Wood Review and the OGUK Industry Survey (which will not be published until the end of February) will form an integral part of the Industry response on this measure.

- 2.14 EITI

- 2.15 HMRC advised that the third meeting of the Multi Stakeholder Group (MSG) takes place on 5 February and that good progress is being made.
- 2.16 The timing of the first EITI Report is still under discussion with the MSG as is the contextual information that will be provided as part of the report.

3. HMRC operational update

- 3.1 HMRC will be able to advise further at the next meeting of certain structural changes taking place within Large Business and Large & Complex.

4. UKOITC Chair

- 4.1 Tim Murrills will be standing down as UKOITC Chair on 01/04/2014. The new Chair has not yet been agreed.
- 4.3 Alan Tume expressed his appreciation and thanks to Tim for his contribution over the years and looked forward to working with the new Chair when appointed.

5. Oil & Gas technical issues

5.1 Gas valuation project

- 5.2 Meetings are continuing to compare and contrast methodologies. HMRC will consider options and produce a first draft report to share in April.

5.4 2011 CT enquiries

- 5.5 In response to Industry concerns HMRC advised that enquiries on R&D and Supplementary Charge are being raised to ensure consistency of treatment across the sector.

5.6 Research and Development Expenditure Credit

- 5.7 FA 13 introduced an 'above the line' (ATL) credit for large companies for research and development (R&D) expenditure incurred on or after 1 April 2013.
- 5.8 Industry advised that there is an anomaly in the legislation which means that the benefit of the ATL credit in the ring fence is very small.
- 5.9 It was agreed that a worked example and analysis would be provided for HMRC to consider.

6. Joint conference feedback

- 6.1 It was agreed that feedback from the conference was very positive with participants enjoying the variety of agenda items. However, there was a general feeling that more plenary sessions would be welcome.

7. AOB

- 7.1 The next meeting will be on Monday 12 May.