

EXPLANATORY NOTE

These Regulations provide, at the election of participators in gas banking schemes (other than international gas banking schemes) modifications to the normal rules under which oil and gas is brought into account for tax purposes at the time it is transferred and provide rules for the making of elections.

The modified tax treatment is set out in Regulations 3 and 8. Gas produced from one field and transferred to another field in the course of a gas banking scheme is to be left out of account for the purposes of charging Supplementary Petroleum Duty, Petroleum Revenue Tax and Corporation Tax or Income Tax on the participators in the field from which it is produced; instead, it is treated for the purposes of these taxes as having been produced from the field to which it is transferred. This modified tax treatment may be applied retrospectively to schemes which were in operation before these Regulations came into force (Regulation 6). The statutory authority for this is in Section 121 Finance Act 1981.

Participators in fields must, as a condition of the Board's consent to make an election, enter into undertakings with the Board that they will accept a variation of licences granted to them under the Petroleum (Production) Act 1934 (or other legislation) concerning the treatment of transferred gas for the purposes of royalty; and that they will use gas transferred to them in specified ways (Regulation 5). Other conditions concerning application for the Board's consent to make an election and the making of an election are contained in Regulations 5 and 6; procedures for appeals against the Board's refusal of consent are set out in Regulation 7.