

**Oil and Gas Industry Direct Tax Forum
Quarterly Meeting – Tuesday 13 October 2009**

Attendees

Industry

Kirsten White (KW)	UKOITC
Phil Greatrex (PG)	Brindex
Chris Waterton (CW)	UKOITC
Agustin Rivara (AR)	O&G UK
Gordon Dennis (GD)	UKOITC
Peter Gunn (PeG)	OGIA

HMG – Oil and Gas

Jo Wakeman (JW)	HMRC – LBS Oil and Gas Sector Lead
Rob Hodges (RH)	HM Treasury
Hugh Hedges (HH)	HMRC Oil and Gas
Diane Williams (DW)	HMRC Oil and Gas
Sue New (SN)	HMRC Oil and Gas
Paul Philip (PP)	HMRC Oil and Gas
Tony Chanter (TC)	HMRC Oil and Gas
Andrew Parrock (AP)	HMRC Oil and Gas
Russell Malloch (RM)	HMRC Oil and Gas

Apologies –

Peter Harrington	HMRC Oil and Gas
Jacqui Akinlosotu	OTAC

1. Matters arising from previous meeting and action points:

AP1 – Joint planning committee to confirm e-filing and XBRL are on the agenda for the Conference in November. This has been considered, but because the conference timetable is already tight it is not appropriate to include this on the agenda. A separate meeting will be organised to consider this topic.

AP2 – HMRC to ask Jeff Smith to arrange for further e-filing meeting with industry in September. Dates in the second half of November have been suggested for this meeting, to take place as a video conference with links in Aberdeen and London. HMRC asked whether a party from industry would be able to host this event. If possible the invitation needs to be extended widely to maximise attendance from industry groups. HMRC asked industry to confirm their preferred date before the end of October and to highlight any specific iXBRL concerns so these can be addressed at the event.

New AP1 – JW to circulate dates and details of this event by close 13 October 2009
--

AP3 - HMRC would circulate a copy of the cushion gas letter to industry representative bodies. This had been circulated to industry in August by PP.

AP4 – HMRC to set out its views on why the field allowance legislation is couched in the way it is. PP had sent an initial response to Adam Cran. However this is included as an agenda item today to discuss more fully.

AP5 – HMRC to circulate current guidance on SAO to industry representatives. This has been done.

2. Oil and Gas Tax Policy

- i) *Guidance on field allowance and other FA09 measures (HH)*. The draft guidance on the field allowance has already been sent to industry for review and comments. The guidance on the PRT elements of the FA09 legislation is complete and has also been sent to industry. Guidance on the decommissioning and CG FA09 changes are with HH and will be sent to industry for review by the end of next week (23 October 2009).
- ii) *Field allowance and group relief (HH)*. HH has referred back to Mike Crabtree's original instructions that were sent to Parliamentary Counsel. The instructions outlined that the purpose was to lower the tax rate for new fields which were economically marginal. The option of removing all new fields from SC had been rejected because of the cost and complexity. Delivery of the aim of lowering the tax rate on new fields was weakened by providing relief at the company level against profits liable to supplementary charge generally, and providing group relief would go further against the policy aim. Industry thought in this case groups would restructure to obtain early relief, but recognised that providing group relief would be counter to the policy aim. HH would put this explanation in writing to Adam and Kirsten.
- iii) *Decommissioning Trusts (RH)*. A meeting took place in July 2009 with action points taken away by UKOITC. These points have now been addressed by UKOITC and RH is going to take this forward and arrange for further discussion to take place.
- iv) *CG reinvestment relief: eligibility of drilling costs (PG)*. HMG do not require further input from industry concerning rollover of gains into oil and gas drilling costs. On the other drilling issue on the agenda a meeting is being set up to discuss drilling costs for CCS; HH is waiting to discuss this with Malcolm Smith and will update industry when this has been done. A meeting is also taking place on 28 October 2009 regarding the FA09 CG swap legislation.
- v) *Change of use: Capital allowance balancing adjustments (PG)*. Information is to be provided by industry.
- vi) *Senior Accounting Officer (JW)*. Guidance has been published but industry is concerned as to how this will fit with business practise. JW said that for the first year the SAO rules will be operated on a "light touch" basis. Training is to be rolled out across HMRC to ensure consistency and CRMs should read the guidance and apply a common sense approach. JW asked that industry contact her if issues cannot be resolved with CRMs.

3. Oil and Gas Operational Issues

i) *PRT update*

- *Arrears.* There was a backlog of PRT arrears in respect of open assessments and claims, some with and some without appeals. Finalisation of PRT assessments would allow the associated CT open assessments to be finalised and cleared from the open issues list. LBS had a target of closing all over 18 month old issues on or before 31 March 2010. Lists of the open PRT assessments and claims had been sent to CRMs for information. The PRT team were working to review and close all open issues that were not actively under discussion with customers, and each active open issue should have an Action Plan to control it. Many of the open issues could be closed without the need to amend assessments. However some would need agreement from the customer in respect of the final figures. The aim of the process was to agree figures in advance of amending an assessment (to prevent a customer from automatically appealing against the amendment) and thus gaining finalisation. The target date to complete this process was 31 December 2009, to allow time for the CT consequences to be dealt with before 31 March 2010.
 - *Oil Taxation Manual Re-write.* This should be published by 31 December 2009. The PRT Compliance chapter was in draft after being rewritten from scratch to conform with the amended March 2009 Tax Compliance Risk Management Process (TCRMP) guidance. It built upon the July 2008 letter to the representative bodies regarding an earlier version of the TCRMP guidance.
 - *Gas Project (TC).* A meeting has been arranged for 28 October 2009 to discuss this.
- ii) *Online Filing (JW).* All current open points had been covered under matters arising. However, it was agreed that this would be retained as a standing agenda item in view of the significance of the issue.
- iii) *Local Compliance issues (RM).* There are some local compliance issues regarding the restructuring of the CT process; if anyone experiences any difficulties with returns processing they should contact RM (who mentioned that Linda Nicholls has replaced Linda Scott).

4. Oil and Gas Technical Issues

- i) *Cushion Gas.* HH provided a summary of the meeting that took place on 28 September 2009.
- ii) *FA2009 consequentials (PG).* Following the previous week's wash-up meeting on the Finance Bill between UKOITC and HMRC, industry has prepared a draft list of its concerns. This will be circulated within UKOITC and then sent to HMG.

5. Oil and Gas Relationship Issues

It has been agreed that this no longer needs to be an agenda item.

6. 2009 Conference arrangements update

Everything is organised. KW requested that industry is made aware of any spaces that become available. SN agreed to do so.

Date of Next Meeting – 19 January 2010