

**EXPLANATORY MEMORANDUM TO
THE OIL TAXATION (NOMINATION SCHEME FOR DISPOSALS)
(AMENDMENT) REGULATIONS 2007**

2007 No. 1454

1. This explanatory memorandum has been prepared by the Commissioners for Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. **Description**

The Regulations will, when made, amend the Oil Taxation (Nomination Scheme for Disposals) Regulations 1987 (SI1987/1338). They expand the scope of the nominations scheme to include a Brent Forties Oseberg Ekofisk forward contract.

3. **Matters of special interest to the Select Committee on Statutory Instruments**

None

4. **Legislative Background**

The powers to make the regulations are conferred by sections 61(8) of, and paragraph 1(1) of Schedule 10 to, the Finance Act 1987⁽¹⁾.

5. **Extent**

The instrument applies to all of the United Kingdom

6. **European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. **Policy background**

Some oil companies have sought to limit their liability to Petroleum Revenue Tax, and Ring Fence Corporation Tax, by entering in a practice known as 'tax spinning', which involves the use of forward contracts. Legislation introduced in 1987 (the Nominations Scheme) and then amended in 1994, sought to limit

⁽¹⁾ 1987 c.16

the scope for tax spinning. However, it had become clear that significant amounts of tax were still being lost. In 2006 an amendment to the regulations was made to target them more specifically to those that could be 'spun' (BFO forward contracts) and to further reduce the time limit for notification to HMRC from 24 hours to 2 hours.

From June 2007 a new contract known as Brent Forties Oseberg Ekofisk will be available in the market and would provide the same opportunities to tax spin if not brought within the scope of the regulations.

Ekofisk blend oil is oil won from the Ekofisk field and other producing areas that is landed at the Loading Terminal at Teeside.

8. Impact

This amendment falls within the scope of a Regulatory Impact Assessment that was prepared by HM Revenue and Customs in respect of Part 5 of the Finance (No.2) Bill of the 2005-06 session and was published on 22nd March 2006. That Bill received Royal Assent as the Finance Act 2006.

9. Contact

Niran Khera at Her Majesty's Revenue and Customs, telephone 020 7438 6466 (or email, niran.khera@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.