
STATUTORY INSTRUMENTS

2006 No. 3313

The Oil Taxation (Market Value of Oil) Regulations 2006

Valuing Category 2 oils

Market value: Category 2 oils

17. The market value of a quantity of Category 2 oil to which these Regulations apply is found by whichever of the methods in regulation 18 (method 1) or regulations 19 to 23 (method 2) would produce a sum which more closely reflects the price which would normally apply in a sale at arm's length for a similar quantity of that oil on the notional delivery day (found in accordance with paragraph 1A of Schedule 3 to OTA), but subject to the special rules in regulation 24.

Method 1

18. The first method is to find the average unit price for actual sales at arm's length of the relevant Category 2 oil under contracts meeting the conditions set out in paragraphs (a) to (e) of paragraph 2(2AA) of Schedule 3 to OTA⁽¹⁾.

Method 2: general

19. The second method is as follows—

- (a) find the relevant reference oils (“the marker crudes”) for the relevant Category 2 oil (see regulation 20);
- (b) find the average marker crude price quoted in respect of the relevant Category 2 oil (see regulation 21);
- (c) adjust the average marker crude price (see regulation 22);
- (d) find the total market value of the oil (see regulation 23).

Finding the relevant reference oils for the Category 2 oil in question

20. Ascertain which crude oils are normally used as marker crudes for the purposes of determining the market value of the relevant Category 2 oil under contracts at arm's length.

Finding the average marker crude price

21.—(1) Find the average of the prices quoted by the relevant reports for the sale of the marker crudes in respect of trades during the reference period in contracts for the sale at arm's length of the relevant Category 2 oil.

(2) In paragraph (1) “the reference period” means the period ordinarily used to find the market value of oils, by reference to which the price of the oil in question is determined, in a contract for the sale of that oil at arm's length.

(1) Sub-paragraph (2AA) was inserted by section 146(5) of the Finance Act 2006.

Adjusting the average marker crude price

22. Add to the result of regulation 21 differential or combination of differentials normally applied in a contract for the sale at arm's length of the relevant Category 2 oil.

Total value of the Category 2 oil sold or relevantly appropriated

23.—(1) Multiply the result of regulation 22 by the volume of Category 2 oil to which these Regulations apply in the particular case.

(2) The product so found is the market value of the Category 2 oil in question.

(3) This is subject to regulation 24.

Special rules

24.—(1) If a participator's contracts for the sale of Category 2 oil in sales at arm's length normally provide for the price to be determined—

(a) in the case of oil transported by ship from the place of extraction to a place in the United Kingdom or elsewhere, by reference to the actual date of the completion of the load, or completion of the discharge, of the cargo; or

(b) in the case of oil transported by pipeline to a place in the United Kingdom and loaded on to a ship there, by reference to the date of the bill of lading;

references to the notional delivery day in regulation 17 are to be construed, in relation to that participator as references to the day mentioned in sub-paragraph (a) or (b) (as the case requires).

(2) The modification in paragraph (1) also applies where Category 2 oil is loaded onto a ship at least 7 days later than the date provided for by the contract for sale by reason of circumstances wholly beyond the control of the parties.