Oil Industry Accounting Committee

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MEETING HELD AT 16.00 P.M. ON TUESDAY 1 OCTOBER 2013

Field allowances

- The Committee discussed the various options for accounting for field allowances. Key points discussed were:
    - Does the field allowance give rise to a temporary or timing difference which would be subject to deferred tax? This might relate to the PP&E or other assets capitalised during exploration, evaluation and development of the field, to an investment tax credit or to a loss type carry forward. It was noted the allowance appears to be in respect of production rather than capital expenditure as the government deliberately did not make it an uplift on capital expenditure.
    - Could the field allowance be considered to be a permanent difference between taxable and accounting profits under UK GAAP that would be recognised in the period in which the benefit is taken in tax computations? Is there any similar analysis under IFRS?
    - Does the field allowance affect the expected future tax rate at which other deferred tax liabilities/ assets are recorded and if so how would such a rate be calculated?
    - What analogies are there in other tax systems/allowances/similar features and how can these inform the approach?
    - What would the profile look like under possible scenarios?
- It was agreed that it may be useful for the Committee to put a framework together for industry participants' to consider when deciding which approach to apply, in particular to give small companies the opportunity to make an informed choice. However, the Committee agreed that it was only worth spending time preparing this if there would be an audience.

Key questions for companies to consider on Country by Country reporting

- It was agreed that this matter would be discussed at the next meeting.