



NSTA Tax Policy

Business Arrangements

The Oil and Gas Authority (the NSTA) is liable for corporation tax in relation to income earned from business activities. The vast majority of the company's activity is non-business as the NSTA has a statutory obligation to regulate (including licensing) to the oil and gas industry and is not in competition with the private sector in carrying out this activity, as no-one else has the statutory right to maintain this role.

Non-business activity is further characterised by the fact that the company does not receive any payment in consideration for regulating the oil and gas industry; instead it is funded from levies charged. Non-business activities are not subject to corporation tax.

Current Status

The company did not have any business activities that are subject to corporation tax in the last financial year and does not anticipate any in the foreseeable future. However, if tax were payable, it would be recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case it would be recognised in equity.

The NSTA has some trading activities where VAT is charged at the prevailing rate and where the related input VAT costs are recoverable, though these are minimal. Input VAT is also recoverable on certain contracted-out services. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised with additions to fixed assets. Where output tax is charged on business activities or input tax is recoverable, the amounts are stated net of VAT.

Tax Risks

The biggest tax risk to the NSTA relating is an increase to VAT rates, given the majority of VAT is irrecoverable. Any increase in rate would therefore require a reprioritisation of budgets or consideration of revenue streams. Conversely a reduction in VAT rate would result in the opportunity for delivery of additional priorities or refund of levy to the industry.

In order to manage this risk budgets are set to include the relevant VAT rate at the time and consideration giving to whether any increase in rate is anticipated. In



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preparing management accounts any changes of VAT rate will be reviewed and budget holders advised of any changing expectations to that spend can be managed.

Roles and Responsibilities

The Chief Financial Officer will review the risk of changes to VAT rates and any potential change to corporation tax status and advise the Leadership Team. The Leadership Team will consider any changes that should be made to priorities and budgets as a result. Any significant impact will be reported to the Board, in their oversight role, as part of the regular performance and finance reporting.

Working with HMRC

The NSTA has registered with HMRC for VAT and PAYE purposes. The NSTA complies with all HMRC requirements and, if the need arose, would work proactively with HMRC to ensure compliance.

Publication

This policy is available free of charge on the NSTA website.

Approved by the NSTA Board 20th July 2017.