

Abandonment expenditure: allowances and loss relief. FA92 s86 695.—(1) In this section, “abandonment losses” means so much of a loss in a petroleum trade incurred by a person in a chargeable period as does not exceed the total amount of allowances which—

(a) are to be made to the person for that chargeable period under this section, and

(b) have been taken into account in determining the amount of that loss in the petroleum trade.

(2) Subject to subsections (5) to (9), where in a chargeable period a person, who is or has been carrying on in relation to a relevant field or a part of it petroleum extraction activities other than effecting the initial treatment and storage of petroleum that is won from the relevant field, incurs abandonment expenditure (not being expenditure which has been or is to be met directly or indirectly by any other person) in relation to the field or the part of it, as the case may be, there shall be made to the person for the chargeable period an allowance equal to the amount of the expenditure.

(3) (a) Subject to paragraph (b), as respects so much of a loss in a petroleum trade incurred by a person in a chargeable period as is an abandonment loss, the person shall be entitled on making a claim in that behalf to such repayment of income tax as is necessary to secure that the aggregate amount of income tax for the chargeable period and the 3 chargeable periods immediately preceding it will not exceed the amount which would have been borne by the person if the person's income arising from petroleum activities for each of those chargeable periods had been reduced by the lesser of—

(i) the abandonment loss, and

(ii) so much of the abandonment loss as could not on that claim be treated as reducing such income of a later chargeable period.

(b) Relief under paragraph (a) in respect of a loss shall be deemed for the purposes of the Tax Acts to be relief given under section 381 (1) such that—

(i) no further relief shall be given under section 381 (1) in respect of so much of an abandonment loss as is an amount in respect of which relief has been given under paragraph (a), and

(ii) subsections (3) to (7) of section 381 and section 392 shall apply to relief under paragraph (a) as they apply to relief under section 381.

(c) As respects so much of a loss in a petroleum trade incurred by a person in a chargeable period as is an abandonment loss, subsections (2) and (3) of section 396 shall apply as if the time specified in subsection (3) of that section were a period of 3 years ending immediately before the chargeable period in which the loss is incurred.

(4) So much of the abandonment losses, if any, incurred by a person on or before the day on which the person permanently discontinues to carry on a petroleum trade (in this subsection referred to as “the first-

mentioned trade”) as would not apart from this subsection be allowed against or treated as reducing the person's or any other person's income or profits, shall be treated as incurred by the person in the first chargeable period of the first petroleum trade (in this section referred to as “the new trade”) to be carried on by the person after the permanent discontinuance of the first-mentioned trade as a trading expense of the new trade.

(5) Where a petroleum trade carried on by a person has been permanently discontinued, any abandonment expenditure incurred by the person after the discontinuance shall be treated for the purposes of subsection (2) as if that expenditure had been incurred by the person on the last day on which the person carries on the petroleum trade.

(6) For the purposes of this section other than subsections (4) and (5), the day on which any expenditure is incurred shall be taken to be the day on which the sum in question becomes payable.

(7) Any allowance made to a person under this section shall be made in taxing the person's petroleum trade, but such allowance shall not be made in respect of the same expenditure in taxing more than one trade.

(8) References to capital expenditure in Part 9 and in section 670, Chapter 1 of Part 29 and sections 763 to 765 shall be deemed not to include references to expenditure which is abandonment expenditure; but subsections (1) and (2) of section 316 and sections 317 (2) and 320 (5) shall, with any necessary modifications, apply for the purposes of this section as they apply for the purposes of Part 9 and Chapter 1 of Part 29.

(9) Subsections (9) to (11) and (15) of section 693 shall apply for the purposes of this section as they apply for the purposes of that section.