

Development expenditure: allowances and charges. FA92 s83; FA96 s132(1) and Sch5 Ptl par18 692.—(1) Subject to subsection (4), the provisions of the Tax Acts relating to allowances and charges in respect of capital expenditure shall apply in relation to a petroleum trade as if each reference in those provisions to machinery or plant included a reference to assets, not being machinery or plant, representing development expenditure.

(2) In relation to assets representing development expenditure, section 284 (2) shall, subject to subsection (3), apply as if the reference in paragraph (a)(i) of that section to 15 per cent were a reference to 100 per cent.

(3) Assets representing development expenditure shall not be treated for the purposes of section 284 (1) as being in use for the purposes of a petroleum trade at the end of any chargeable period or its basis period which ends before the commencement of production of petroleum in commercial quantities from the relevant field in connection with which the assets were provided.

(4) The following provisions shall not apply as respects development expenditure—

(a) Chapters 1 and 3 of Part 9,

(b) section 283,

(c) section 670,

(d) Chapter 1 of Part 29,

(e) sections 763 to 765 , and

(f) section 768.

(5) (a) For the purposes of this section, assets representing development expenditure shall be deemed to include assets (in this subsection referred to as “leased assets”) provided for leasing to a person carrying on a petroleum trade where such leased assets would, if they had been provided by that person, be assets representing development expenditure, and where this paragraph applies—

(i) section 284 shall apply as if the trade for the purposes of which the leased assets are (1) be regarded as being) in use were a petroleum trade carried on by the lessor, and

(ii) section 403 shall apply as if each reference in that section to machinery or plant included a reference to assets, not being machinery or plant, representing development expenditure.

(b) For the purposes of subsection (4), capital expenditure on the provision of leased assets shall be deemed to be development expenditure.