HMRC - OT04410 - Claims - Claim Periods

OTA75\SCH5\PARA1

For Schedule 5 and 6 claims the expenditure claimed must have been incurred in the claim period for which the claim is made. See OT14510 re the meaning of incurred. The first claim period for a field is defined in OTA75\SCH5\PARA1(1)(a) as, depending on the election by the Responsible Person, either

The period ending on 30 June following the determination of the field including an unlimited time prior to that determination; or

A similar period to that in a. but ending on 31 December following the determination of the field.

Subsequent claim periods are for twelve months following the last preceding claim period subject to the Responsible Person’s right to elect for any particular claim period that it should be of six months rather than twelve months duration. Elections relating to the duration of claim periods are to be made in writing to LB Oil & Gas (acting for the Board). There is no specific form nor is there a statutory time limit for making elections, but effectively the time limit for making claims under OTA75\SCH5\PARA2 operates as the constraint. In practice the submission by the Responsible Person of a claim on which the claim period is shown as six months may be accepted as a de facto election.

Interaction - Chargeable Period and 12 month Claim Period

Except for the first, Chargeable Periods are always of six months. There can be some administrative difficulties where the field has started production and claims are still made for twelve months. In these circumstances chargeable periods forming the first half of the claim period will be assessed before any claim for the chargeable period expenditure can be made. This assessment will include 5% provisional allowance and give oil allowance in priority to expenditure.

Assessing is not delayed, since the only alternative, assessing after receipt of the claim, would result in expenditure incurred after the chargeable period (i.e. in the second half of the claim period) being allowed for a period before it was incurred. The same approach is adopted when bringing assessments up to date - resulting in some assessments being given oil allowance in priority to expenditure.

Problems may arise particularly in relation to the net profit period. FA81\S111 (see OT12650) denies supplement for expenditure incurred after the end of the chargeable period which is the net profit period. Identifying this period, and the expenditure incurred in it is made difficult where there is a twelve month claim and particular care will need to be taken.

Example

The assessment for the 1H01 chargeable period is made, and that period is the net profit period. Subsequently a claim is made for expenditure incurred in the 12 month claim period to 31 December 2001.Enquiries have to be made to discover what expenditure in the claim period was incurred before the end of the six month chargeable period to 30 June 2001, and what before the end of the six month chargeable period to 31 December 2001.

This information will enable the Inspector to check whether the 1H01 net profit period is deferred when account is taken of the expenditure incurred to 30 June 2001 (see OT12700). If the net profit period remains 1H01 the Inspector will have to ensure no supplement is allowed on expenditure which falls in the last six months of the twelve month claim.

Previous page

Next page