HMRC - OT09075 - Expenditure - Obtaining A Relevant Licence

OTA75\S3(1)(b)

It is a requirement of the award of a licence that the successful applicant makes a payment to the Secretary of State for its acquisition. The form of such payment varies according to the ‘round’ in which the licence was issued, e.g. premium or auction payments, bids etc, see OT00100.

These payments are distinct from periodic payments such as royalties and annual rentals which are dealt with in computing the licence debit or credit in the assessment, see OT05500.

For the purpose of this subsection, a ‘relevant licence’ is defined at OTA75\S12(1) as any licence held or previously held by a participator in respect of a licensed area wholly or partly included in the field as determined under OTA75\SCH1.

Where a licence covers a number of blocks and the field falls in one, or in part of one, it is not necessary to restrict the cost unless a part of the expenditure has already been claimed in connection with another field. As such the relief is not necessarily completely field-specific.

Prior to the application for a licence, the prospective participator will enter into a participation agreement with the other members of the proposed consortium. Any legal fees involved will not be admissible under OTA75\S3.

‘Exempt gas’ fields

There are special rules in OTA75\S10(3A)-(3C) relating to expenditure otherwise allowable under OTA75\S3(1)(b) where the oil won from a field (or expected to be won) includes ‘exempt gas’, see OT13240.

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