HMRC - OT09375 - Expenditure - Apportionment Of Expenditure

OTA75\S3(6)

Under OTA75\S3(6), where operating expenditure is incurred partly for one or more of the qualifying purposes listed at OTA75\S3(1) and partly not, it should be apportioned on a just and reasonable basis. Participators should be asked to provide full details of the basis on which apportionments reflected in the expenditure claims have been made.

OTA75\S3(6) will apply, for example, where operating expenditure is incurred for two or more fields, say if two fields use the same platform facilities and support staff. The consequential apportionment is often made by reference to the throughput of the fields during the claim period. But other methods of allocation may be appropriate and each case will need to be considered in context and on its own facts.

Apportionment of supplement

The apportionment rule in OTA75\S3(6) applies equally to supplement available under OTA75\S3(5), see OT12450.

Apportionment of tariff receipts-related operating expenditure

OTA75\S3(6) is modified under OTA75\S3(7) where the operating expenditure is (to some degree) related to earning tariff receipts, see OT09400.

Exempt gas fields

By virtue of OTA75\S10(2), OTA75\S3(6) is applied to field expenditure where part relates to the production etc. of ‘exempt gas’ and part does not. The element which relates (on a just and reasonable basis) to the former will not be allowable.

However, the provision does not relate to expenditure incurred under

OTA75\S3(1)(a)-(c), see OT13240

and OTA75\S3(1)(hh) and OTA75\S3(1)(i)-(j), see OT10550

which have their own special rules.

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