HMRC - OT09500 - Expenditure - Specifically Excluded Expenditure: Land And Buildings

OTA75\S3(4)(b) and (c)

With one exception, the cost of acquiring land or an interest in land is not allowed (OTA75\S3(4)(b)). The exception is a payment by a participator to the Secretary of State in connection with a production licence in respect of an area wholly or partly included in a determined field.

The prohibition does not include rents or easements which are continuing expenses arising out of a lease. Land includes land in the UK covered with water.

Under OTA75\S3(4)(c) the cost of acquiring or erecting a building or structure on land is only allowed if it is

a structure to be subsequently placed on the seabed of the UK Continental Shelf, or

to be used wholly in the winning (see OT09125) or measuring (see OT09150) of oil won onshore (the requirement of whole use is peculiar to this subparagraph), or

to be used for initial treatment or storage (see OT09200) of oil, e.g. onshore terminals, or

to be used for the transportation (see OT09175) of oil from the field to the place in the UK accepted as qualifying under OTA75\S3(1)(f).

The capital cost of an office administration building is not allowable for PRT purposes. However the cost of terminal buildings, which on the face of it might be classed as offices, may qualify for relief depending on the use to which they are put. For example, a pipeline monitoring building might qualify under (d) above (transportation). It very much depends on the facts in each case. Where more than one field uses the terminal an apportionment can be made, see also OT09375.

Office rentals paid may be allowable as a field-related overhead cost, subject to appropriate apportionment, see OT09325.

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