HMRC - OT09550 - Expenditure - Specifically Excluded Expenditure: Payments To Obtain A Licence (Other Than To Secretary Of State)

OTA75\S3(4)(e)

Under OTA75\S3(4)(e), any payment to obtain a direct or indirect interest in oil won or to be won from the field is disallowable unless it is made to the Secretary of State. This precludes any allowance for a premium or similar payment paid by a participator to purchase a share, or increase an existing share, in the production from a field.

OTA75\S3(4)(e) is also relevant to changes in licence interests in a field and to farm-ins. However, in respect of the latter, it is not applied to any consideration in the form of a work obligation undertaken by the farmer-in. Costs incurred by the farmer-in in fulfilling the work obligation will qualify for relief. Consideration other than work obligations will not qualify.

The subsection does not apply to a payment made by a participator in pursuance of a contract whereby expenditure is shared between the participator and any of the other participators in the field. This covers the Responsible Person’s relationship with participators and redetermination payments.

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