HMRC - OT10050 - PRT: Decommissioning - Allowable Expenditure

OTA75\S3(1)(i)

This subsection was amended by FA91\S103(1) and FA91\S103(3) in relation to expenditure incurred after 30 June 1991. From that date relief is available in respect of the cost of

closing down

decommissioning

abandoning

wholly or partially dismantling or removing

any qualifying asset.

The purposes covered in OTA75\S3(1)(i) are not further defined. The terms therefore carry their normal English language meaning.

Qualifying Assets

Under OTA75\S3(1A) the term, ‘qualifying asset’, has the same meaning given to it in OTA83\S8(1), see OT15100. Relief is therefore given in a field for expenditure incurred on closing down - or any of the other activities listed above - an asset (excepting non-dedicated mobile assets, see OT11100), for which expenditure is allowable or has been allowed in that field.

Where a qualifying asset has been used otherwise than in connection with the field (e.g. in another field), there are specific apportionment rules, see OT10200.

Leasing or Hiring of Qualifying Asset

OTA75\S3(1A) also provides that in the case where the qualifying asset is leased or hired, the word ‘decommissioning’ is to be read as including the carrying out of any restoration or similar work which is required to be carried out under the terms of the contract of lease or hire.

Exempt Gas

Where the decommissioning takes place in a field that is producing or has produced ‘exempt gas’, there are special rules which restrict allowance under OTA75\S3(1)(i), see OT10550.

Timing of Relief

Relief can be given during a field’s life as well as at its end so long as the expenditure has been incurred. For example, in a multi-platform field, it is possible that the platforms will be decommissioned at different stages. The fact that an asset is therefore decommissioned earlier than the field is closed down does not preclude relief at that earlier time.

Conversely, certain residual costs following the closing down of the field may qualify for relief under OTA75\S3(1)(i), e.g. the costs of monitoring the seabed after partial or full removal of an offshore installation to comply with the terms of a DTI-approved decommissioning programme, and the costs of monitoring toppled or partially toppled installations.

Overall the legislation provides relief in a wide range of circumstances. See OT10100 for further detail of what the legislation might or might not cover.

Previous page

Next page