HMRC - OT10500 - PRT: Decommissioning - Allowable Expenditure: Abandonment Guarantees: Reimbursement By Defaulter Of Decommissioning Costs Met By Co-Participators Or Former Participators

If, following the application of OTA75\Sch5\Para2A (see OT10450), the defaulter wholly or partly reimburses the contributing participator, then the reimbursement expenditure is to be treated, in relation to the defaulter, as expenditure it has incurred for any of the purposes listed in OTA75\S3(1)(i) (see OT10050, FA91\S108(3)).

In relation to the recipient, the reimbursement is to be treated as a positive amount in computing its assessable profit or allowable loss for the chargeable period of receipt (FA91\S108(4)).

However, the amount allowed to the defaulter, or taken into account for the recipient, is, when aggregated with any such previous amounts, limited to the amount attributed to the qualifying participator under OTA75\Sch5\Para2A(3).

A claim by the defaulter for the allowance of reimbursement payments should be made under OTA75\Sch6 (and not OTA75\Sch5) and for this purpose the trade secrecy requirement (see OT04480) is to be disregarded (FA91\S108(6)). Furthermore, the reimbursement receipt is not regarded as subsidised expenditure of the recipient for purposes of OTA75\Sch3\Para8 (see OT09625) (FA91\S108(7)).

FA08\S105 extends FA91\S108 to also cover reimbursements of default costs incurred after 30 June 2008 and met by a former participator.

Previous page

Next page