HMRC - OT10803 - Certainty - Outline Of The Legislation

Any company that has carried on a ring fence trade, and the associates of those companies, is eligible to be party to a decommissioning relief deed (DRD).

OTA75\S3(1)(i) and OTA75\S3(1)(j) provide tax relief for the costs of decommissioning but no current law guarantees that this relief will be available in the future.

Companies will be able to enter into a DRD with the Government and will then be able to obtain payment under the DRD if tax legislation changes and reduces the amount of relief available in respect of decommissioning expenditure. Under certain circumstances Companies may also claim under the DRD’s if they are required to incur expenditure as a result of another company defaulting in respect of its decommissioning liability.

FA2013\Part2\S80 to FA2013\Part2\S85 provide for the Government to meet its liabilities under the DRD. Part 2 FA 2013 also makes the necessary changes to support the introduction of these contracts.

This package of measures as a whole will provide companies with greater certainty in respect of decommissioning tax relief and will allow them to adopt post-tax securitisation arrangements for the future costs of decommissioning assets on the UKCS.

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