HMRC - OT10808 - Certainty - The Effect Of Claims On Oil Allowance

FA2013\S85

Where FA2013\S84 applies and as a result of the default FA2013\S83 applies to reduce the defaulting company’s profits, then FA2013\S85 provides that there is no release of Oil Allowance as would be required under OTA75\S8.

During discussions on the Decommissioning Relief Deed it was felt that the interaction of various claims and amended assessments following any release of Oil Allowance in respect of a company’s default would make it difficult to keep track of the other field participators’ changing tax histories.

FA2013\S85 applies where:

a company defaults on a liability under:

\* a relevant agreement, or; \* an abandonment programme,

to make a payment towards decommissioning expenditure in respect of an oil field,

in consequence of the default, another company (the other company) that has rights under a decommissioning relief agreement at the time of the default incurs decommissioning expenditure in respect of that oil field, and

FA2013\S83 applies.

In these circumstances FA2013\S85 provides that any reduction in profits arising by virtue of FA1983\S83 will not be taken into account for the purposes of the Oil Allowance provisions at OTA75\S8.

For the purposes of FA2013\S85:

abandonment programme means an abandonment programme approved under Part 4 of the Petroleum Act 1998 (including such a programme as revised),

company has the meaning given by CTA2010\S1121,

decommissioning expenditure has the same meaning as in FA2013\S80,

decommissioning relief agreement has the same meaning as in FA2013\S80,

oil field has the same meaning as in OTA 1975, and

relevant agreement has the meaning given by FA1991\S104(5)(a).

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