HMRC - OT11100 - PRT: Long-Term Assets - Non-Dedicated Mobile Assets

OTA83\S1, OTA75\S4

Outline

An exception to the general principle that long-term assets attract full front-end PRT relief is the category, mobile assets that are not dedicated to a field. Relief for such assets is limited by reference to their use in the field of claim.

A ‘mobile asset’ is not defined in either OTA75 or OTA83. It therefore takes its ordinary meaning, the general tenor of which is that there should be an ease of movement and an expectation of movement while in use. Conversely, ‘non-mobile assets’ should be regarded as including items of plant and machinery which are fixed in the sense that they are normally kept in one place, are unsuitable to be moved about easily and do not normally move in the course of operation. Melluish v BMI (68 TC 1), which was concerned with capital allowances, contains a useful consideration of when an asset becomes affixed to land.

OTA83\S1(1)(a) defines a ‘non-dedicated mobile asset’ simply by stating that it is a mobile asset which is not dedicated to the field in which the claimant is a participator and against which relief is claimed. ‘Not dedicated’ in this context means that the asset is not predominately used for any particular field or fields. On this basis, a multi-support vessel used say 80% of the time on one field and the remaining 20% of the time on six other fields would be regarded as being predominately used on the 80% field and therefore dedicated to it. On the other hand, a tanker used 80% of the time for a participator’s freight operations and 20% on a field as a shuttle tanker would be regarded as non-dedicated to the 20% field.

In the main, ‘non-dedicated mobile assets’ are likely to be drilling rigs which are not predominately used for any particular field or fields but moved about. Lift barges, flotels, shuttle tankers and support vessels might also fall into this category.

Method of Relief

OTA83\S1(2) amended the old OTA75\S4 so that expenditure on a non-dedicated mobile asset incurred after 30 June 1982 is spread over the life of the asset and given portion by portion as and when the asset is used in a UK field.

(1) Claim for First Relevant Claim Period, OTA75\S4(5)

In the claim for the first relevant claim period (see OT04005), the proportion of the expenditure to be allowed is A/B where

A is the number of days during which the asset has been used in connection with the field in that claim period between the asset’s first use in that connection (or the incurring of the expenditure if later) and the end of the relevant claim period and

B is the number of days between the incurring of the expenditure (not first use) and the date on which it is estimated the asset’s useful life will end.

(2) Subsequent Claim Periods, OTA75\S4(7)-(10)

For each subsequent claim period, the proportion of the expenditure to be allowed is to be computed by a similar apportionment. Note that for the purpose of the apportionment the length of time the asset has been used in connection with the field will include all earlier periods. Expenditure previously allowed is to be taken into account adjusting for any additional or excess relief together with any relevant supplement.

(3) Part Field Use, OTA75\S4(11)

If the asset is simultaneously used partly in connection with the field and partly otherwise during the claim period, the allowable expenditure is apportioned according to how it has been used.

Disposals, OTA83\S1(4)

If a non-dedicated mobile asset is disposed of after 30 June 1982, the disposal receipt provisions of OTA83\S7 (see OT15060) do not apply. Instead, the treatment applicable to disposals of long-term assets prior to 1 July 1982 (OTA75\Sch4\Para4 in relation to disposals and OTA75\Sch4\Para7 in relation to insurance and compensation) continues to apply. See OT15350 for further detail.

Assets Becoming Dedicated to the Field or to Another Field, OTA83\S1(3), OTA83\S2

See OT11150.

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