HMRC - OT11150 - PRT: Long-Term Assets - Dedicated Mobile Assets

OTA83\S1(3), S2-3

Mobile assets which are dedicated to a field attract full front-end relief for PRT under OTA83\S3, see OT11050. There is no statutory definition of ‘dedicated mobile assets’.

The rules in OTA75\S4 concerning mobile assets not dedicated to a field are considered at OT11100, as is the question of what constitutes ‘mobility’ in this context.

Non-Dedicated Mobile Assets Becoming Dedicated to a Field, OTA83\S1(3)

In the case where an asset which is not dedicated to a field

becomes dedicated to that field or

is or becomes dedicated to another field

OTA83\S1(3) provides that expenditure will be allowable under OTA83\S3 (front-end) rather than under OTA75\S4 (spread). Relief is given under OTA75\S4 for any claim periods ending six months or more before the end of the period in which the asset becomes dedicated and thereafter OTA83\S3 applies. So if an asset becomes dedicated in the six-month claim period ending 31 December 2000, front-end relief becomes available in that period.

But under OTA83\Sch1\Para9, the OTA83\S3 relief is reduced by any expenditure allowed or allowable under OTA75\S4 (the non-dedicated mobile asset rules), provided that the asset is not a ‘brought-in asset’ and expenditure is not already reduced under OTA83\Sch1\Para7(4) (see OT11500).

Assets Becoming Dedicated to a Field: Definition, OTA83\S2(1) and S(2)

The term ‘mobile asset’ is not defined in the legislation, but the criteria that an asset has to meet in order to become a mobile asset dedicated to a field are set out in OTA83\S2. These are

the asset is used in connection with the field during the whole, or part of, a claim period, OTA83\S2(1)(a)

the asset was not already dedicated to that field at the beginning of that period OTA83\S2(1)(b)

there is a reasonable assumption, at the end of that period, that during the whole or most of the ‘relevant period’, the asset will be used in connection with that field and that the main use of the asset in the whole of the relevant period will be in connection with that field and another (or others), OTA83\S2(2) (in the case where there is more than one field using the asset, see OT11400).

The ‘relevant period’ is defined by OTA83\S2(4). It covers the period beginning either at the end of the claim period in which the asset becomes dedicated or at the end of the claim period in which there is a reasonable expectation it will be first used (see below) and ending at the end of the asset’s useful life or on permanent cessation of field production, whichever occurs first.

Expenditure Incurred in a Period before First Use, OTA83\S2(3)

If a person incurs expenditure on bringing into existence a mobile asset and that expenditure was incurred in a claim period for the field earlier than that in which the asset is first used in connection with the field (e.g. construction extending over more than one claim period), then provided the asset is not a ‘brought-in asset’ and the conditions in OTA83\S2(2) are met (see above), it can be regarded as dedicated to that particular field in the earlier claim period.

Correction of Excess Relief, OTA83\S2(5)

There is a possibility that an asset regarded as dedicated only under OTA83\S2(3) (see above) may not after all turn out to be an asset which is going to be dedicated. This may happen if the asset, before it is used in a dedicated way in the field, is used otherwise than in connection with that field or if it is disposed of. In such a case, claims can be varied under OTA75\Sch5\Para9 (see OT04750) to withdraw any excess relief.

Previous page

Next page