HMRC - OT11350 - PRT: Long-Term Assets - Assets No Longer In Use For Principal Field

OTA83\Sch1\Para3

There are special rules that deal with situations where expenditure is incurred in connection with a non-mobile asset (OT11050) but the asset is no longer in use by the principal field.

OTA83\Sch1\Para3 applies where:

expenditure is incurred in connection with a non-mobile asset (OT11150) and the use of the asset gives rise, or is expected to give rise, to tariff receipts,

or expenditure is incurred in connection with a non-mobile asset, or an interest in a non-mobile asset, with a view to the subsequent disposal of the asset and that disposal gives rise, or is expected to give rise, to disposal receipts,

the asset has already been used, or was expected to be used, in connection with the principal field,

at the end of the claim period in which the expenditure is incurred the asset is no longer being used, and is not expected to be used, in connection with the principal field.

Where the relevant conditions are met:

for tariff-related expenditure, the tariffing use of the asset is deemed to be use in respect of the principal field for the purposes of both OTA75\S3 and OTA83\S3 ,

for expenditure incurred with a view to the subsequent disposal of the asset, the asset is treated, throughout the claim period in which the expenditure is incurred, as being used in connection with the principal field for the purposes of both OTA75\S3 and OTA83\S3.

The expenditure incurred is therefore subject to the normal rules for allowance as if it was expenditure incurred in respect of use in the principal field (and see OT09400 Allowable Field Expenditure: Tariff-related expenditure for the treatment of operating costs).

These rules apply to tariff-related expenditure where the tariff comprises a tariff receipt (OT15025) but not where the tariff is a tax-exempt tariffing receipt (OT15810).

The rules for allowing expenditure incurred with a view to the subsequent disposal of the asset are modified where the asset has been used for tax-exempt tariffing at any time in the period of 6 years ending with the date on which the expenditure was incurred. Broadly the rules in OTA83\S7A (OT15250) are adapted and applied so that the amount of the expenditure incurred in enhancing of the value of an asset with a view to its subsequent disposal, or of an interest in it, is reduced to reflect previous use for tax-exempt tariffing purposes.

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