HMRC - OT11500 - PRT: Long-Term Assets - Brought-In Assets

OTA83\Sch1\Para7

Definition

A ‘brought-in asset’ is an asset that in the period between its acquisition or construction and its first use in a field -

was used otherwise than in connection with a taxable field (OT03515), either by the participator, or by a connected person (see OT11700) or

was used in connection with a taxable field to generate tax-exempt tariffing receipts (OT15810).

The period between its acquisition or construction and its first use in connection with a taxable field (other than to generate tax-exempt tariffing receipts) is referred to as the ‘initial period’, OTA83\Sch1\Para7(1)(c).

But any period during which a mobile asset was not dedicated (see OT11100) is ignored for this purpose, OTA83\SSch1\Para7(1)(b).

Expenditure Relief

There are two separate provisions, one disallowing expenditure and one limiting it:

expenditure is disallowed if the asset has been used during the initial period in an exempt field (see OT13200) and it was not reasonable at the beginning of the initial period to expect that the asset would be used in connection with an oil field, OTA83\Sch1\Para7(2).

where A is equal to the useful life of the asset after its first use in the field

and B is that total useful life of the asset, OTA83\Sch1\Para7(4).

The question of brought-in assets only arises when it is found at the end of the relevant claim period that an asset is being used in connection with the field, and so the expenditure qualifies for allowance in that period, but its previous history reveals that it has been used elsewhere. In other words allowance in principle needs to be established before the paragraph can be applied.

Example

An asset was acquired for £100m on 1 January 1987 and at that time it had a useful life of 20 years. It was brought into use on X Field on 1 January 1991.

The allowable expenditure = £100m x 16/20 = £80m.

Previous page

Next page