HMRC - OT12075 - PRT: Supplement - Claims To Supplement

OTA75\SCH5\PARA2(4) requires that a PRT claim must state what part (if any) of the expenditure is claimed as qualifying for supplement. The provision is applied to participator ‘trade secrecy’ claims by OTA75\SCH6\PARA2.

There is no statutory obligation on a Responsible Person (or a participator in relation to a OTA75\SCH6 claim) to claim supplement even if the relevant expenditure appears likely to satisfy the provisions of OTA75\S3(5). But the provision does not permit supplement to be the subject of a separate claim; the supplement can only be claimed together with the expenditure to which it relates.

Where a claim under OTA75\SCH5 is made, the supplement available to an individual participator cannot exceed its interest in the field (OTA75\SCH5\PARA2(4)(b)).

Net Profit Period and OTA75\SCH5 Claims

On the net profit period (NPP) generally, see OT12650.

If one or more of the participators has already passed its NPP and is therefore not entitled to supplement, the Responsible Person is nevertheless entitled, by virtue of FA81\S111(6), to include in a claim supplement on all of the expenditure that would have so qualified had the question of the NPP cut-off not been an issue. This is to protect confidentiality: a participator’s NPP will only be known by that participator.

A decision on the claim, giving the total supplement due by reference to the provisions of OTA75\S3(5) (the four allowable categories, see OT12050), should then be made in the normal way, without regard to the question of the NPP. This avoids any possible breach of confidentiality. Each participator’s share will then be subject to the provisions of FA81\S111 at the time that the assessment for the relevant chargeable period is made.

Interaction with Safeguard

If supplement is claimed in a participator’s NPP and there is a safeguard reduction under OTA75\S9 (see OT17700), it is quite likely that it will be to its disadvantage. A practice note dated 15 January 1986 issued to the industry explained what action is permissible under the legislation on expenditure claims which fall to be decided at or about the time when safeguard first provides an effective reduction in PRT payable.

The note covers the right not to claim supplement and the possibility that only some of the participators in a field may want supplement claimed on their behalf. It also resolves the difficulty that may arise where some or all of the participators start receiving the benefit of safeguard before a claim to supplement can be decided. In addition the note deals with what is possible on determination by agreement of an appeal against refusal. The practice note is reproduced in full at OT19550.

Withdrawal of Claims

Because supplement must be claimed together with the expenditure to which it relates, it follows that if a claim for expenditure qualifying for supplement is withdrawn, then so also is any associated supplement claim. To the extent that a decision has not been taken on the claim in respect of expenditure identified as qualifying for supplement, the claimant can withdraw the claim including the associated supplement.

The claimant may subsequently make a fresh claim for the expenditure (subject to the conditions for submitting the claim still being satisfied) without the expenditure necessarily being identified as qualifying for supplement. On withdrawal of claims generally see OT04780.

Supplement on Redetermination Claims

See OT18310

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